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OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

HEARING

BEFORE THE

SUBCOMMITTEE ON
POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

HEARING HELD IN GETTYSBURG, PA, JULY 15, 1985

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OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

MONDAY, JULY 15, 1985

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
Gettysburg, PA.

The subcommittee met, pursuant to call, at 9:45 a.m., in Bowen Auditorium, McCreary Hall, Gettysburg College, Gettysburg, PA, Hon. William D. Ford (chairman) presiding.

Members present: Representatives Ford, Coleman, Goodling, Hayes, Gunderson, and Byron.

Staff present: Thomas Wolanin, staff director; Kristin Gilbert, clerk; Rich DiEugenio, minority senior legislative associate; Rose DiNapoli, minority legislative associate.

Mr. FORD. I am pleased to call to order this field hearing of the Subcommittee on Postsecondary Education of the U.S. House of Representatives.

Our hearing today will focus on recommendations and concerns with respect to reauthorization of the Higher Education Act of 1965. This is the eighth in what we expect will be a series of 11 field hearings away from Washington on this subject.

Prior to today, the subcommittee has been to Vermont, Illinois, Iowa, Michigan, New York, Missouri, and down the road in McKeesport, PA, on Friday.

We have additional hearings scheduled for Maine, the State of Washington, and Massachusetts. How many more in the city of Washington?

Mr. WOLANIN. Washington, 13.

Mr. FORD. He tells me we have 13 more hearings. I guess we will get there by fall sometime. The Higher Education Act is the primary source of Federal support for students and higher education institutions.

It must be reauthorized or extended during this Congress. The largest and most important programs contained in the act provide grants, loans, work opportunities, and special services to students who demonstrate a need for Federal help.

In the coming school year, a little more than $13 billion will be made available to needy students in grants, loans and work opportunities. Nearly half of the approximately 12 million students attending the 6,000 institutions of postsecondary education in the United States will receive some form of Federal assistance.

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These student assistance programs are the centerpiece of the Higher Education Act and they play a critical role in achieving the Federal objective of equal educational opportunity.

The Higher Education Act also contains programs to assist college libraries, international education and cooperative education as well as the Fund for the Improvement of Postsecondary Education.

We expect that the process of reauthorizing the Higher Education Act will be long and complex. I hope, however, that we will suceed in reaffirming the Federal commitment to equal education opportunity and excellence in higher education.

I am pleased to be here this morning at the invitation of a good friend and a valued member of our committee, now a senior member of the Full Education and Labor Committee, someone that in spite of his mistakes in early life that led him into the wrong political party I have found it a great pleasure to work with because without regard to political party he is a person who is very clearly devoted to education.

He is one of those rare people in Washington that knows what he is talking about when we get into education. I always listen because you can always learn from Bill. He is an old teacher and he hasn't forgotten it.

And with that I would like to call on him for any comments he wishes to make.

Mr. GOODLING. Thank you, Mr. Chairman.

I want to thank you for coming to our district in a very rigorous schedule both in Washington and out in the field. We have Maryland represented, Missouri represented, Wisconsin represented, and Illinois if he arrives. I am not quite sure what happened to Charlie.

But I do appreciate you coming to our District to hear what the education community in the 19th District is thinking about and at the same time for them to hear what it is that we are thinking about.

I think we have two primary objectives when we are talking about reauthorization. First of all it is probably the most important piece of legislation, social legislation, that will come before the Congress this year.

The two areas I think we have to concentrate on is to improve the quality of the programs within this act with respect particularly to the student financial aid programs.

Then secondly, of course, we have to recognize the enormous limitations placed on us by the budget deficit, and,with that, our fiscal responsibilities. While we agree that adequate funding for education is necessary, we must face reality that Federal resources are not limitless.

Everyone must pitch in to do their part to reduce equally and across the board. So I am anxious to hear the testimony of those as I indicated from the 19th District, from right outside of the 19th District and from right over the border.

The chairman and I do get together on quite a few issues both in education and in child nutrition. Sometimes we are standing together but alone.

That may change with the change in the chairmanship. But we have fought a few battles together in child nutrition and in education. So again, Mr. Chairman, I thank you for coming to this dis-

trict and look forward to the exchange we will have with the educators from this area.

Mr. FORD. Thank you, Bill.

Mr. Coleman.

Mr. COLEMAN. Mr. Chairman, I am delighted to be here with my colleague Bill Goodling who has the respect of all of us. For those of us who serve with him on the Education and Labor Committee, we know his talents and his abilities and benefit from his leadership.

I hope that the people in the 19th District are aware of the fine representation they have and I'd like to reaffirm that here today.

This is my second trip to Gettysburg. It was hardly a score of years ago that I first came upon this community. That first visit I also had student aid in my mind, as I just graduated from law school and had racked up my first student loan.

I believe in our student aid programs and support them. I look forward to the testimony that we are going to receive today.

Thank you.

Mr. FORD. Mrs. Byron.

Mrs. BYRON. Thank you, Mr. Chairman.

First of all, let me say thank you very much for letting me sit in on this hearing. I am not a member of this Committee. I am on Armed Services and the Interior. But Bill Goodling and I have a very good working arrangement whereby I hold field hearings and I invite him and his Pennsylvania constituents.

He holds field hearings and he very kindly reciprocates that. I have some of my people here today to testify. I do happen to have nine colleges in my district so I think it is—higher education is a very important issue as far as my people are concerned and as far as the students are concerned.

The unknown factor of where we are going with student programs and projects is one that has concerned many of the young people and middle-aged people and older people that we are finding back in the educational world.

So I am very interested in hearing the testimony today. Once again, thank you very much.

Mr. FORD. Mr. Gunderson.

Mr. GUNDERSON. Thank you, Mr. Chairman.

I will be very brief. Just make two comments about why I am here today as a member of the subcommittee. No. 1, it is clearly out of respect for our distinguished host, Mr. Goodling. I should share with most of you in the audience that my former administrative assistant, the fellow that ran my office, is a graduate of Gettysburg College here.

However, I say former because he decided to move up in the world to take that same job with Mr. Goodling. So you see how he evaluates the two of us. [Laughter.]

Which is why I feel that I better come and keep in his good stead. The second reason I am here is I, like Mrs. Byron, also have a large number of postsecondary students in my District.

While we are a rural district in Wisconsin, we have over 40,000 college students in our district as well. So obviously this act is very important to us. With that, I look forward to the testimony.

Thank you.

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Mr. FORD. Before we start with the Panel, President Glassick of Gettysburg College has a comment.

Mr. GOODLING. And I might say, Mr. Chairman, that I forgot to thank the President for hosting us and I take this opportunity to do that.

Dr. GLASSICK. I am pleased that everyone could come to Gettysburg College today—Chairman Ford, Congressman Goodling, the Members of Congress, Secretary Smith.

I am happy to have all of you and also the other guests. We are pleased to host the reauthorization hearing at our campus. The hearing is scheduled to conclude at approximately 12:30.

The Members of the Congress, the subcommittee staff and those who are testifying are invited to lunch on the third floor of Pennsylvania Hall, which is the large white building just east of here.

We recognize that schedules may preclude that for some of you but those of you who can stay, I hope you will, and perhaps some of the discussion can continue at lunch. For others of you who wish to have lunch before you leave campus, we have a student-run snack bar in the College Union.

Students are making salaries to earn their way to pay college tuition and you might want to support them. That is without selling their stereos and other things. [Laughter.]

There is also a restaurant two blocks east of campus if you want to go there. So we welcome all of you here. If you need any assistance or information of any kind, my assistant Julie Ramsey back there near the door is available to help you.

Again, welcome to Gettysburg College.

Mr. FORD. Thank you, President Glassick. And I, too, on behalf of the committee want to thank you for the arrangements you have made for us to facilitate this hearing.

I tell you that this, compared to some of the places we have to hold hearings in the field, is a very nice setting indeed.

We can actually see the people up there while the hearing is going on. I would like to make one personal reference. I was first bussed as a student to Gettysburg. I can now say that. In 1972, I could not, in my district.

When I graduated from the eighth grade, which in those days—1941—was a big thing, the school bought a new Ford bus. And after two days of arduous travel we arrived in Gettysburg. Stayed in a motel some place near here and spent the day visiting.

And for the first time for virtually all of us, we discovered that Michigan had participated in that war. That indeed here at Gettysburg there was substantial Michigan involvement.

I guess they finally brought the war close enough so that our people decided to get in it. We grew up in a State where they talk very rarely about the war. Later in the service I found that, in serving with people from the Southern States, that they talk about it all the time; that they knew all about it and I knew practically nothing about it.

But my first interest was peaked here in Gettysburg and it has been a lasting interest that I am very grateful for. So I have very fond feelings for this area. I take every occasion that I possibly can to get up here. I brought my own children back as they were growing up to share that experience with them.

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We have talked about it many times. They, like me, were very much impressed with the historical importance of this area to the resolution of a very bad time in our country, and the beginning and the end of something that we still haven't quite ended—conflict between our States.

And I see joining us is someone who has been the most diligent person to attend these field hearings. He drove up here this morning, I guess. Or last night?

Mr. HAYES. In from Chicago last night and here this morning.

Mr. FORD. From Washington this morning.

Mr. Hayes.

Mr. HAYES. All right.

Mr. FORD. The other members have commented. Do you have anything you would like to say?

Mr. HAYES. No really I don't feel it would be fair to comment. I think we ought to move right along.

Mr. FORD. All right. Our first panel is the Honorable Margaret Smith, Secretary of Education of the Commonwealth of Pennsylvania, the Honorable Ron Cowell, chairman of the Higher Education Subcommittee, and Mr. Ken Reeher, Pennsylvania Higher Education Assistance Agency.

Without objection the prepared text of each of the people appearing today on the panel will be inserted in full immediately preceding the point at which they begin their comments.

We would ask the panelists to add, supplement or highlight their prepared testimony in any way they find most useful.

And with that I recognize Margaret Smith.

STATEMENT OF DR. MARGARET A. SMITH, SECRETARY, PENNSYLVANIA DEPARTMENT OF EDUCATION

Dr. SMITH. Good morning.

Chairman Ford, Representative Goodling and distinguished members of the Subcommittee on Postsecondary Education, I would like to begin by commending the subcommittee for its attention to this important issue, the chairman for his interest and initiative to hold hearings across the country, and Congressman Goodling for his continuous support and leadership in education, both nationally and here in Pennsylvania.

I appreciate this opportunity to testify on the reauthorization of the Higher Education Act of 1965 as amended. Higher education is big business and important business in Pennsylvania.

Our 228 higher education institutions range from specialized degree-granting institutions to large research universities to small liberal arts colleges. According to our recently completed study of the Governor's commission on the financing of higher education, their impact is weighty not only academically and socially, but economically.

Higher education is the State's ninth largest employer, a major consumer of goods and services and a source of research and development for small businesses, new businesses and advanced technological growth.

The impact of higher education—the Higher Education Act of 1965 on Pennsylvania education has been and can continue to be

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significant. I am here today to urge its reauthorization so that we in a continuing partnership with the Federal Government can continue to meet the many challenges that lie ahead.

While Pennsylvania supports all 11 titles of the act, I would like to focus on titles III, IV and V, which are of particular interest to us. First, on title III, institutional assistance. In an era marked by dramatic changes in life-styles and economies. Title III, helps schools of small size and and limited resources to keep pace with the changing job markets while preserving a commitment to liberal arts learning.

The special needs program of title III is especially beneficial to my State which is home for the Nation's two oldest predominantly black universities. More than $7 million has flowed from this program to Lincoln University and Cheyney University of Pennsylvania in the last 10 years, making it possible to strengthen the scientific and technical capabilities of both schools.

Title III helps Pennsylvania preserve a flexibility of purpose and a diversity of opportunity for our citizens and students. I urge its reauthorization.

Regarding title IV, student financial assistance, I would like to point out that title IV is the most important part of the reauthorization and that first consideration of resources under the Act should be to meet the needs of students seeking an education.

It plays a vital role in providing educational opportunities for students who have the ability but not the means to pursue their educational or vocational goals. While the traditional and primary obligation to finance higher education must continue to be borne by the student and the student's family in every case where possible, it is appropriate for Government to help in this obligation by providing financial aid.

To this end, we recommend that the Pell Grant Program be continued to serve the neediest undergraduate students with private and State sources rewarding merit.

Pell grants undergird our entire system of higher education. Last year, nearly 40 percent of our students received Pell grants totally almost $136 million. The guaranteed student loan program has been of great value for Pennsylvania students and we believe reauthorization of it is important.

Money provided under the GSL Program is used to leverage additional loan dollars for students. In allocating student loan increases, priority should be directed toward larger increases for juniors and seniors rather than freshmen and sophmores. The default rates of GSL loans tends to be higher among students who drop out before reaching their junior year. Juniors and seniors are more likely to complete their studies, find jobs, and repay these loans.

In addition, we also suggest the reauthorization without modification of the National Direct Student Loan and State student incentive grant programs, and the reauthorization of the Supplemental Educational Opportunity Grants Program to assist the most needy students with a requirement of matching funds from eligible institutions.

Finally, on title IV, I would like to point out that the college work study program has been a very beneficial one in Pennsylvania, and should be reauthorized.

Some comments on title V, Teacher Preparation. Since 1965, title V has sought to impose teacher performance through a variety of programs. In Pennsylvania, Governor Dick Thornburgh's "agenda for excellence" in Pennsylvania's schools is seeking to do the same.

Our initiatives in Pennsylvania include raising standards for teacher preparation, testing teachers before they are certified to teach, providing structured support for first-year teachers, and requiring continuing education for all who become teachers or school administrators after 1987. Higher education institutions will play a substantial role in carrying out these initiatives, to be sure.

We support reauthorization of title V, because of the assistance that it could bring to these reform efforts taking place in my State and across the Nation. We see great value in the Federal Government being a partner in State efforts to revitalize continuing education for teachers and administrators, and thereby contributing to improved teacher and student performance in our Nation's schools.

In conclusion, I would like to reiterate Pennsylvania's strong support for the reauthorization of the Higher Education Act of 1965 as amended. I appreciate the opportunity to testify, and I would be pleased to provide any further assistance. Thank you.

[The prepared statement of Dr. Margaret A. Smith follows:]

PREPARED STATMENT OF DR. MARGARET A. SMITH, SECRETARY, PENNSYLVANIA DEPARTMENT OF EDUCATION

Chairman Ford, Representative Goodling and distinguished members of the Subcommittee on Postsecondary Education, I am Margaret Smith, Secretary of the Pennsylvania Department of Education. I would like to begin by commending the subcommittee for its attention to this important issue, the chairman for his interest and initiative to hold hearings across the country, and Congressman Goodling for his continuous support and leadership in education, both nationally and here in Pennsylvania. I appreciate the opportunity to appear before this subcommittee to testify on the reauthorization of the Higher Education Act of 1965, as amended.

Higher Education is big business and important business here in Pennsylvania. A distinguished Governor's Commission on the Financing of Higher Education, which recently completed a year-long study, stated that Pennsylvania's "commitment to, and investment in, higher education are among the Commonwealth's greatest traditions and assets." Our 228 higher education institutions run the gamut from specialized degree-granting institutions to large research universities to small liberal arts colleges. They play an important role in the life of every Pennsylvanian. They enhance our quality of life, keep us in the forefront of new thought, and help our society to maintain an equil- -ium in these times of constant change.

Higher education also directly affects our state economy. Higher education institutions are the 9th largest employer in my state and they are large consumers of goods and services. In 1981, the Pennsylvania Economy League found that higher education institutions, their employees and students, and those employees in jobs directly related to higher education, had spent a total of $3.8 billion the previous year.

One of Governor Thornburgh's most highly acclaimed economic development initiatives is heavily dependent on higher education. The Ben Franklin Partnership, a consortium of business, labor, and colleges and universities, has in its two and one-half years of existence aided in the start-up or expansion of 214 firms and has generated more than $116 million in public and private investment as well as established advanced technology centers in four areas of the state.

Another economic development initiative, Customized Job Training, has involved higher education institutions in the training and retraini ng of nearly 12,000 Pennsylvanians for specific jobs in local businesses.

The Higher Education Act of 1965 has had significant benefits for our state over the past 20 years. I am here today to urge its reauthorization so that we, in partnership with the federal government, can continue to meet the many challenges which lie ahead. While we support all eleven titles of the act, Titles III, IV and V are of particular interest to us and will be the focus of my testimony today.

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TITLE III INSTITUTIONAL ASSISTANCE

Maintaining both the quality and diversity of postsecondary institutions in the Commonwealth is important to our citizens.

Counted among our 228 higher education institutions are large public research universities, small church-affiliated colleges, nationally-recognized liberal arts colleges, historically black universities, specialized associate degree-granting institutions, and public and private two-year colleges. Each has a part to play in the cultural and economic future of our state and each contributes to the rich mix of educational opportunities available to our citizens.

Title III of the Higher Education Act of 1965 helps us preserve this diversity. Title III has provided aid to institution which, because of small size and limited resources, would have found it more difficult, without these funds, to keep pace with the changing demands of students for college programs which prepare them for a changing job market. Title III has provided resources to develop faculty and managers, to upgrade computer capabilities and instruction, to improve curriculum offerings, and to provide career services for students. It has also helped us preserve a commitment to liberal arts learning.

The Special Needs Program of Title III has been particularly beneficial to my state, which is home to the nation's two oldest, predominantly black universities. More than $7 million has flowed from this program to Lincoln University and Cheyney University of Pennsylvania in the last 10 years, making it possible to strengthen the scientific and technical capabilities at both of these institutions.

It is estimated that the average American will change careers seven times during his or her working life, and that by the year 2000 many of us will be working in jobs which, in 1985, haven't even been thought of! Clearly, colleges and universities will need the flexibility and resources to drop and add programs, to retool their curriculums, to retrain faculty, if they are to respond to the changing demands of society. Title III will help preserve this flexibility of purpose and diversity of opportunity for our citizens and students. I urge its reauthorization.

TITLE IV STUDENT FINANCIAL ASSISTANCE

At this time I would like to turn my attention to Title IV of the Higher Education Act, the title dealing with student financial assistance. I would like to point out that Title IV is the most important part of the reauthorization and that first consideration under the Act should be to meet the needs of students seeking an education.

While the traditional and primary obligation to finance higher education must continue to be borne by the student and the student's family in every case where that is possible, it is appropriate for government to help in this obligation by providing financial aid.

Federal subsidies should supplement parent/student self-help contributions, and adjustments should be made for students who have real need. In the final analysis, cooperation between governments, institutions of higher education and parents and students will be required to assure the quality, accessibility and financial stability of higher education and produce another generation of knowledgeable, thinking Americans.

In general, we feel that student aid legislation must maintain a proper balance, ensuring that student need is met, that lenders participate in the program at reasonable costs and that appropriations are in line with available revenues. Student aid legislation should also reflect the different roles which are proper for state government, the federal government, and parents and students as, together, they bear the costs of a higher education.

Let me suggest that a proper role for the state is to ensure that its citizens have effective and efficient higher education resources available to them and that academic standards are of high quality at these institutions.

The role of the federal government, on the other hand, has been to ensure that access is not curtailed for students who have the ability, but lack the means, to continue their education beyond high school. This is laudable and, to this end, Title IV has had a major positive impact on our country by expanding educational opportunities for capable students who might not otherwise have chosen to pursue their educational or vocational goals. The expansion of educational opportunity which has come about as a result of Title IV is not unlike that brought about by the post World War II GI Bill.

The floor of financial support which the Pell grant program provides to needy students undergirds our entire system of higher education. Last year 113,480 Pennsylvania students, about 40 percent of our college students, received Pell grants totalling nearly $136 million.

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We recommend that the Pell grant program be continued to assure college access for the neediest students, with greater attention being paid by state and private sources to rewarding merit.

The Guaranteed Student Loan (GSL) program has been of great value to Pennsylvania students and we believe reauthorization of this program is important. Money provided under the GSL program is used to leverage additional loan dollars for students. We believe that in allocating student loan increases, priority should be directed toward larger increases for juniors and seniors than for freshmen and sophomores. Students who drop out of college before the end of their sophomore year have a greater tendency to default on their loans and have less earning power with which to repay their debt; juniors and seniors, on the other hand, are more likely to complete their studies and find jobs which will make it possible for them to repay these loans.

Loans are an increasingly important component of today's financial aid packages. Twenty percent of financial aid packages ten years ago were in the form of loans; today nearly half of the financial aid packages given to students consist of loans. Over the same time period, the cost of a higher education has more than doubled. It is important that we continue the guaranteed student loan program which provides assistance, yet underscores the primary financial responsibility which must be borne by students and parents.

With respect to other programs under Title IV, I would suggest that the National Direct Student Loan program (NDSL) and the State Student Incentive Grant (SSIG) programs be reauthorized without modification, that the Supplemental Education Opportunity Grants (SEOG) be reauthorized to assist the most needy students with a requirement of matching funds from the institutions to be eligible for this grant program. Finally I would like to point out that the college work study program has been a very beneficial one in Pennsylvania and should be reauthorized.

TITLE V TEACHER PREPARATION

I would like to speak in support of this portion of the Higher Education Act because its purposes so closely track several major initiatives of Governor Dick Thornburgh's Agenda for Excellence in Pennsylvania schools.

Our initiatives include: Raising standards for teacher preparation; testing teachers before they are certified to teach; providing structured support for first year teachers; and requiring continuing education for all who become teachers or administrators after 1987.

Carrying out these initiatives will require close linkages between our basic schools and higher education institutions. More than 500 educators, from both public schools and colleges and universities, have helped us revise standards for teacher education programs and certification. A similarly broad process is being used to develop new teacher competency tests which will be used for the first time in 1987. Thousands of individuals from basic and higher education will be involved in carrying our induction programs which will be required for all new teachers after 1987.

We support reauthorization of Title V of the Higher Education Act because of the support it could bring to these critical efforts going on in my state and elsewhere around the nation.

An area of particular concern is continuing education for teachers and administrators. Under our initiatives, everyone who becomes a teacher or administrator after 1987 will be required to take at least 6 credits every five years to keep their certification active. A great challenge ahead of us is to insure that the courses they take are meaningful, meaty and contribute to better performance in the classroom. Since adoption of the Higher Education Act in 1965, the intent of this title has been to improve teacher performance through a variety of programs. We see great value in the federal government's being a partner in state efforts to revitalize continuing education for teachers and administrators and thereby contribute to improved teacher and student performance in both our basic schools and institutions of higher education.

In conclusion, I want to say that Pennsylvania strongly supports the reauthorization of the Higher Education Act of 1965, as amended. I appreciate the opportunity to testify, and I would be pleased to provide any further assistance this subcommittee would final useful.'

Mr. FORD. Thank you. Mr. Cowell.

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STATEMENT OF RONALD R. COWELL, MEMBER, PENNSYLVANIA'S HOUSE OF REPRESENTATIVES

Mr. COWELL. Thank you, Mr. Chairman.

Representative Goodling, let me begin by thanking you and your staff for having provided me the opportunity to participate as a member of this panel. I welcome the opportunity to join some of my colleagues at the state level.

My name is Ron Cowell, and I serve as a member of the Pennsylvania House of Representatives. I have served as a member of the State legislature for the last 11 years. Throughout that period, I have been a member of the house committee on education, and I currently serve as chairman of the Pennsylvania House Subcommittee on Higher Education. I have also served for the past 7 years as a member of the board of directors of the Pennsylvania Higher Education Assistance Agency [PHEAA], and recently served as a member of the Governor's commission on the financing of higher education.

At the outset, I want to acknowledge that few of us expect the Federal Government to assume a significantly larger role in the financing of higher education during the next several years. In addition, those of us who have actively sought federal support for existing or new higher education programs want to recognize and acknowledge the very forceful and effective advocacy role that members of this committee played, especially during recent times when some of our most important higher education programs have appeared to be under serious attack.

Last Friday, at the invitation of Representative Gaydos, I did have the opportunity to appear before this committee when you were in my home county of Allegheny. In that testimony, I tried to emphasize several points which are of particular concern to students and higher education institutions in Western Pennsylvania.

I certainly will not repeat in detail the remarks that I made on Friday, but I want to summarize the several major points which I feel are particularly important, and which are relevant on a statewide basis.

First, if I were to leave you with any single message today, I would want to emphasize the need for more stability, consistency, and predictability in the Federal Government's role and support of higher education. College administrators and high school guidance counselors as well as students and their families have found it very difficult to wrestle with the prospect of changing Federal programs and eligibility criteria each year.

We have got to be concerned about the ultimate impact that this confusing situation often has on students. Our traditional students and their families view postsecondary education as a two or a four year commitment of resources. And when they sit down to make decisions about the kind of education that they want to seek or the particular institutions that they might choose to attend, specifically the kinds of programs that they can afford, they do look for some predictability about the kind and the amount of student aid which might be available in the first and in subsequent years of the educational program.

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In the absence of some predictability and the availability of adequate student aid, too many students and their parents decide that they simply cannot afford higher education.

As I emphasized on Friday, again I would like to emphasize that the perception of uncertainty has been as damaging as the reality of changing eligibility criteria. If parents think that they will not be able to get aid continued from year to year, or if they think that programs have been so restrictive that there is no use in applying, the impact on the student's enrollment decision can be just as harmful.

Second, we are hearing a great deal of discussion about loans, and I want to voice a cautionary note about the larger amounts of loans which hundreds of thousands of students need if they are to have any chance for a college education. Even though these loans seem the most practical and equitable way to enable many young people to pursue their education, a $15,000 or a $20,000 debt when you are 21 years old is a very considerable debt, and many graduate or professional students face even a considerably larger debt.

And again, you are going to hear a great deal of testimony today, I think, from representatives of our private institutions. I want to emphasize the real impact on our private education institutions here in the Commonwealth of Pennsylvania and throughout the Commonwealth as you seek some balance between this grant and loan program.

Here in Pennsylvania, our private institutions are a part of our rich heritage, and a part of our very diverse system, and are part of the strength of our system of higher education in the Commonwealth of Pennsylvania.

And I would hope that you would be very sensitive to the impacts that you will have on our private schools as well as the private sector as you make the decisions about the grant and loan programs.

I do support the call that you will hear continuously from more liberal loan opportunities under the GSL program, but I want to urge you to strike some balance between an increased grant and loan program opportunity.

I also urge you to consider the creation of additional grants for graduate students, especially in critical need areas. Third, I hope that the Congress will help to address perhaps the greatest crisis challenging our institutions of higher education, the crisis of instructional and research equipment needs. The schools alone cannot solve this problem.

Some States like Pennsylvania as we did with the budget that we most recently passed are attempting to use State resources to help. But again I suggest that the most effective response can be a corroborative effort involving Federal and State governments as well as the private sector.

And fourth, although it is not specifically a part of the reauthorization process, please be aware of the negative consequences of the so-called tax reform proposal before the Congress which would eliminate the deductability of State and local taxes for Federal income tax liability purposes.

This proposal poses a very serious threat to Pennsylvania's 14th community colleges which are locally sponsored by counties, by

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school districts, and municipalities which depend upon local tax sources for approximately a third of their revenues.

The testimony which I presented on Friday is a part of the record, and it provides more detail on each on these subjects. I do want to move on to a couple of issues that I did not address last week.

While I was listening to some of the discussion which occurred last Friday, some questions particularly on the part of Representative Gaydos were raised about the usefulness or the validity of the work-study programs. As Secretary Smith just indicated a moment ago, and was clearly indicated by a couple of the student aid officers testifying on Friday, the work-study program is well-received in this State, is well-utilized in this State, and, in fact, our experience is that there is much more demand for work-study opportunities than are currently available with current funding restrictions.

So certainly, we would urge you to continue the work-study program, and provide additional funding if you can. These are a very valuable asset, a very valuable part of or complement to the rest of the student aid package.

The proposed Reauthorization Act proposes a new set of programs also to provide collegiate level education and training opportunities for adult learners. These programs are intended to foster on and off campus learning opportunities, to promote links with business and industry, to encourage the coordination of state efforts, and also to facilitate involvement of all sectors of higher education in addressing the oft-ignored needs of adult education.

We, in Pennsylvania, feel that this proposal if properly funded can be of significant assistance to many of our residents, especially those who are forced to make mid-life career changes as a result of our State's changing economy.

In addition, Secretary Smith alluded to Chaney University and Lincoln University. These are two of the Nation's oldest predominantly black institutions, and they are located here in Pennsylvania. Chaney University in particular is now confronting, and successfully we believe, one of the greatest challenges in its long history.

The Commonwealth is committed to the enhancement of both of these universities. We are very interested in the proposed provisions of title III. It seems that parts A and B of the title would provide a very important complement to current State efforts to enhance the academic programs at Chaney and at Lincoln, but particularly at Chaney, and we urge your favorable consideration of these proposals.

I also want to stress the need for the continuation of funding for the TRIO programs, upward bound, special services for disadvantaged students, and Talent Search. Without detailing each of these programs, again I would emphasize that our Pennsylvania colleges and universities use these programs and find them to be valuable tools in helping to recruit and to retain many students who might not otherwise consider pursuing their education.

The final area of discussion that I would raise today pertains to my duties as a member of the board of directors of PHEAA. Earlier I spoke to the problems created for students by the annual uncer-

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tainty of funding and eligibility criteria for Federal student aid programs.

I would add that the annual uncertainty also makes it more difficult for State officials to establish priorities and parameters for the supplemental student aid programs which we fund using State resources.

Each year, the staff and the board members of our PHEAA agency try to guess what decisions will be made in Washington, so we can try to frame our own program and the budget for our agency.

The speculative decisions that we are forced to make make it very difficult for us to make decisions about our State grant program which is intended to help supplement the aid that a student may receive from Federal sources. Obviously, without full information then, we do not always necessarily make the best decisions about how we ought to prioritize the use of those State resources.

Members of our Board are also concerned that the two proposals being considered under the reauthorization process and apparently supported by the U.S. Department of Education may in fact threaten the financial stability of PHEAA, and seriously inhibit the Agency's ability to serve students, their families, and our higher education institutions.

We are concerned about the proposal to eliminate the Federal administrative cost allowance payments to guarantee agencies who administer the Guaranteed Student Loan program. And we are also concerned about the proposal to change the reinsurance formula through which the Federal government reimburses guarantee agencies for default, debt, disability, and bankruptcy claims paid to lenders on behalf of borrowers with loans made through the GSLP and the parent loan program or PLUS program.

As you know, the guarantee agencies annually receive the ACA payments from the Federal Government to help defray the costs of administering the Guaranteed Student Loan program. These payments are used by PHEAA to offset our costs of providing a variety of services to student borrowers, to colleges and universities, and to the lenders.

These services include such things as the dissemination of program information to students, to borrowers, lenders, and schools, the staffing of loan workshops of personnel from our banks and from schools, provision of preclaim assistance to lenders to help reduce defaults, the direct mailing of renewal loan applications to borrowers, completion of borrower's promissory notes for lenders in support of our automated loan processing service.

In Federal fiscal year 1984, PHEAA received $5.6 million in ACA payments. The loss of ACA payments in Federal fiscal year 1985 will mean that we will need to reduce our services or obtain revenue from other sources in order to avoid operating the program at a deficit.

As you know, the Department of Education has made no ACA payments for the current fiscal year, even though such payments are due under current law. We at PHEAA can temporarily contend with these losses by using revenue from our loan servicing contracts with other State agencies, with lenders, and with Sallie Mae, but these methods are very limited, as income from servicing con-

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tracts is not constant. These revenues are used to support other PHEAA program activities as well.

Because we are one of the oldest guarantee agencies in the program and have exercised careful stewardship over the resources available to us, we can temporarily withstand the loss of the ACA payments.

Again in the written testimony, I have highlighted some of the negative impact that would be incurred by PHEAA. And I would emphasize that the impact on similar guarantee agencies around the country that perhaps are not as strong and do not have as much as a history as we do at PHEAA and perhaps do not have as much accesstto contract servicing income as we do would be even more devastating. Some of those details are outlined in the written testimony, and I urge you to consider the negative impact that we would experience.

The proposal to change the reinsurance formula also would if implemented have dire consequences for PHEAA, and even worse consequences again for some of the weaker or newer agencies around the country. The U.S. Department of Education has proposed that Federal reinsurance on all default claims on loans made after October 1, 1985 be reduced to 90 percent of the amount claimed. Agencies would be responsible for the other 10 percent.

If the agency's default rate rises to between 5 and 8 percent, the reinsurance rate would fall to 70 percent of all claims. If the default rate would rise to 9 percent or more, the reinsurance rate would drop to 50 percent under the proposal.

Because this proposal applies only to new loans, its effects would not be immediate. However, our PHEAA staff has calculated that the implementation of this proposal would have some pretty dire impact on our own fiscal vitality. With ACA payments and only the maximum 90 percent of claims reimbursed, PHEAA's reserves would drop by 25 percent by October 1989, and by 67 percent by October 1991.

And again, the written testimony indicates that under different scenarios, that there would again be a dramatic negative impact on PHEAA and on similar agencies around the country if the reinsurance provisions of the law would change as proposed by the Department of Education.

Again I want to emphasize that the bottom line impact would be the weakening of our administrative agencies at the State level which are charged with the responsibility of administering the loan programs which also provide administrative services for very important state funded grant programs. It would basically have the impact of indeed saving some money at the Federal level, and I recognize that that is primarily why these proposals are being forwarded to the Congress, and being aired during the progress of these hearings.

But it would also have the impact of simply shifting the financial burden for the administration of these very important programs either to students or to taxpayers at the State level. I really believe that the resources of the student could better be used in helping to fund the education that they are seeking, and the resources at the State level could better be used by helping to fund some of those

supplemental grant programs that we, for instance, in Pennsylvania are trying to provide.

I would note for your information, those of you who may be strangers to our State, that our legislature has provided this year a $91 million appropriation for a grant program administered by PHEAA which largely is intended to help supplement the grants which are available under the Federal programs.

The GSL program as it is now constituted is a sound and a maturing one. The current structure of shared costs and responsibilities among guarantee agencies, the States, and the Federal Government, and the borrowers themselves is working satisfactorily to enhance access to private loan capital for students and to maintain quality in the program.

As a member of the Board of Dirctors of one of the finest and one of the oldest guarantee agencies in the country, I want PHEAA to maintain and enhance our GSL programs' record of service to students in particular and to the Commonwealth in general.

PHEAA will find these goals very difficult to maintain and achieve if it must cope with the losses of ACA payments, reinsurance funds, and Federal advances. Therefore, on behalf of the board of directors of PHEAA, I would urge you to maintain the current programming financial structure.

Ladies and gentlemen, I again thank you for the opportunity to share some of our observations and concerns with you during the process of these hearings.

[The prepared statement of Hon. Ronald R. Cowell follows:]

PREPARED STATEMENT OF RONALD R. COWELL, MEMBER, PENNSYLVANIA HOUSE OF REPRESENTATIVES

Chairman Ford, Rep. Goodling, and members of the Sub-Committee, thank you for this opportunity to share with you some suggestions and concerns as you consider the reauthorization of important federal programs relating to higher education.

My name is Ronald R. Cowell and I serve as a member of the Pennsylvania House of Representatives. I have served as a member of the State Legislature for the past eleven years. Throughout that period, I have been a member of the House Committee on Education and I currently serve as chairman of the Pennsylvania House Sub-Committee on Higher Education. I have also served for the past seven years as a member of the Board of Directors of the Pennsylvania Higher Education Assistance Agency and recently served as a member of the Governor's Commission on the Financing of Higher Education.

At the outset, I want to acknowledge that few of us expect that the federal government will assume a significantly larger role in the financing of higher education during the next several years. In addition, those of us who have actively sought federal support for existing or new higher education programs recognize the forceful and effective advocacy role played by members of this committee, especially during recent times when some of our most important higher education programs have appeared to be under serious attack.

Last Friday, I did appear before your committee during your hearing in my home county of Allegheny. In that testimony, I tried to emphasize several points which are of particular concern to students and higher education institutions in Western Pennsylvania. I certainly do not want to repeat in detail the remarks I made on Friday, but I will summarize the several major points which I feel are particularly important and which are relevant on a state-wide basis.

First, if I were to leave you with only a single message today, I would want to emphasize the need for more stability, consistency and predictability in the federal government's role in support of higher education. College administrators and high school guidance counselors as well as students and their families have found it very difficult to wrestle with the prospect of changing federal programs and eligibility criteria each year.

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We must be concerned about the ultimate impact this frequently confusing situation has on students. Our traditional students and their families view post-secondary education as a two or four year commitment of resources. When they sit down to consider whether or not to attend school, or to make decisions about the kind of institution or program they can afford, they look for and require some predictability about the kind and amount of student aid which might be available in the first and subsequent years of the educational program.

In the absence of some predictability about the availability of adequate student aid, too many students and their parents decide they cannot afford the costs of higher education.

I want to emphasize that the perception of uncertainty has been as damaging as the reality of changing eligibility criteria. If parents think they may not be able to get aid continued next year, or think that programs have become so restrictive that there is no use in applying, the impact on their enrollment decisions can be just as harmful.

Second, I want to voice a cautionary note about the larger amounts of loans which hundreds of thousands of students need if they are to have any change for a college education. Even though these loans seem the most practical and equitable way to enable many young people to pursue their education, a $15,000 or $20,000 debt at the age of 21 is a considerable debt indeed. And many graduate or professional students face even considerably larger debt.

I certainly support the call you will hear for more liberal loan opportunities under the GSL program, but I urge you to strike a balance between increased grant and loan opportunities. I also urge you to consider the creation of additional grants for graduate students, especially in critical need areas.

Third, I hope the Congress will help to address perhaps the greatest crisis challenging our institutions of higher education, the crisis of instructional and research equipment needs. The schools alone cannot solve their problem. Some states like Pennsylvania are attempting to use state resources to help. But I suggest that the most effective response can be a collaborative effort involving federal and state governments as well as the private sector.

Fourth, although it is not specifically a part of the reauthorization process, please be aware of the negative consequences of the so-called tax reform proposal before the Congress to eliminate the deductibility of state and local taxes for federal income tax liability purposes. This proposal poses a serious threat to Pennsylvania's 14 community colleges which are locally sponsored and depend upon local tax sources for approximately a third of their revenues.

My testimony which became a part of the record as a result of Friday's hearing provides more detail on each of these four points. Let me move now to some issues I did not address in my testimony last week.

While I was listening to the discussions which occurred during Friday's hearing, I heard some question raised about the validity or usefulness of Work-Study programs. In my opinion this is one of our most valuable student aid programs. I fully concur with the opinions expressed by the student aid officers when at least two of them indicated that there is much greater demand for work-study opportunities than are currently available. Naturally, it probably is the preference of most to receive an outright grant rather than be required to work for a paycheck. But given the real constraints confronting your ability to fund grants, work-study programs are a very attractive complement to any student aid package.

The proposed Reauthorization Act proposes a new set of programs to provide collegiate-level education and training oppportunities for adult learners. These programs are apparently intended to foster on- and off-campus learning opportunities, promote links with business and industry, encourage coordination with state efforts, and facilitate the involvement of all sectors of higher education in addressing the oft-ignored needs of adult education. We in Pennsylvania feel that this proposal, if properly funded, can be of significant assistance to many of our residents, especially those who are forced to make mid-life career changes as a result of our state's changing economy.

Pennsylvania has two of the nation's oldest predominantly black institutions of higher education, Lincoln University and Cheyney University. Cheyney University in particular is now confronting, successfully we believe, one of the greatest challenges in its long history. The Commonwealth is committed to the enhancement of both of these universities and we are very interested in the proposed provisions of Title III. It seems that Parts A and B of the Title would provide a very important complement to state efforts currently underway and we urge your favorable consideration of these proposals.

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I also want to stress the need for the continuation of funding for the "TRIO" programs: Upward Bound, Special Services for Disadvantage Students, and Talent Search. Without detailing each of these programs, I want to emphasize that our Pennsylvania colleges and universities use these programs and find them to be valuable tools in helping to recruit and to retain many students who might not otherwise consider pursuing their education.

The final area of discussion I wish to raise today pertains to my duties as a member of the PHEAA Board of Directors.

Earlier, I spoke of the problems created for students by the annual uncertainty of funding and eligibility criteria for federal student aid programs. I want to add that the annual uncertainty also makes it more difficult for state officials to establish priorities and parameters for the supplemental student aid programs which we fund using state resources. Each year, the staff and board members of our PHEAA agency try to guess what decisions will be made in Washington as we try to frame our own program and the budget for our agency. The speculative decisions we are forced to make it very difficult for us to make decisions about our state grant program which is intended to help supplement the aid a student may receive from federal sources.

Members of our board are also concerned that two proposals being considered under the Reauthorization process and supported by the U.S. Department of Education may threaten the financial stability of PHEAA and seriously inhibit the agency's ability to serve students, their families, and our postsecondary institutions.

We are concerned about the proposal to eliminate the Federal Administrative Cost Allowance (ACA) payments to guaranty agencies who help administer the Guaranteed Student Loan Program (GSLP). We are also concerned about the proposal to change the reinsurance formula through which the federal government reimburses guaranty agencies for default, death, disability, and bankruptcy claims paid to lenders in behalf of borrowers with loans made through the GSLP and the Parent Loan (PLUS) programs.

As you know, guaranty agencies annually receive ACA payments from the federal government to help defray the costs of administering the GSL Program. These payments are used by PHEAA to offset its costs of providing a variety of services to student borrowers, postsecondary institutions, and lenders. These services include such things as dissemination of program information to students, borrowers, lenders, and schools; staffing of loan workshops for personnel from lending institutions and schools; provision of pre-claims assistance to lenders to help reduce defaults; direct mailing of renewal loan applications to borrowers; completion of borrowers' promissory notes for lenders; and support of our automated loan processing service which links lenders and schools by our computer network.

In federal fiscal year 1984 PHEAA received $5.6 million in ACA payments. The loss of ACA payments in FFY 1985 will mean that we will need to reduce our services or obtain revenue from other sources in order to avoid operating the program at a deficit. As you know, the Department of Education has made no ACA payments for the current fiscal year, even though such payments are due under the current law. We temporarily can contend with these losses by using revenue from our loan servicing contracts with other state agencies, lenders, and Sallie Mae. But these methods are very limited as income from servicing contracts is not constant and these revenues are used to support other PHEAA program activities.

Because we are one of the oldest guaranty agencies in the program and have exercised careful stewardship over the resources available to us, we have been able to withstand the temporary losses of ACA payments. But we cannot continue to withstand these losses without a major restructuring of our financing. You have heard testimony from others about the dire consequences of ACA payment losses to other less fiscally solvent agencies. Analysis by PHEAA staff indicates that FFY 1984 ACA payments represented the difference between operating on a balanced budget and operating at a net loss for six agencies. ACA payments kept an additional five agencies from operating at even greater deficits. In FFY 1984 ACA payments to all agencies represented over 49.7 percent of their operating costs. For 16 agencies ACA payments represented over two-thirds of their FFY 1984 operating costs.

I understand full well that a major impetus for eliminating the ACA payments is to help the federal government reduce its budgetary deficit. But the very modest $62 million savings to the federal government represents significant losses to the agencies and may require major restructuring of their financing in ways that may be difficult to achieve.

I believe that the loss of ACA payments will result in two major consequences: major reductions in program services and quality and increased costs to borrowers for educational capital. We cannot afford either consequence in programs which

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have established a high quality record of administration and which provide such important sources of revenue to borrowers. For these reasons, and because I believe the federal government should continue to bear this small cost of administering a federal program at the state level, I strongly urge you to maintain the ACA payment component in the GSL Program.

The proposal to change the reinsurance formula would, if implemented, have dire consequences for PHEAA and even worse consequences for other agencies. The U.S. Department of Education has proposed that federal reinsurance on all default claims on loans made after October 1, 1985 be reduced to 90 percent of the amount claimed. Agencies would be responsible for the other ten percent. If the Agency's default rate rises to between five and eight percent, the reinsurance rate would drop to 70 percent of all claims and if the default rate rises to nine percent or more, the reinsurance rate would drop to 50 percent.

Because this proposal applies only to "new" loans, its effects are not immediate. However, PHEAA staff has calculated that the implementation of this proposal would have the following effects on the Agency's fiscal vitality. With no ACA payments and only the maximum 90 percent of claims reimbursed, PHEAA's reserves would drop by 25 percent by October, 1989 and by 67 percent by October, 1991. With no ACA payments and the return of federal advances, our reserves would drop by 62 percent by October, 1986. If PHEAA were required to return its federal advances and the earnings on those advances by October, 1986 and we received no ACA payments, we would lose all our reserve capacity and be operating at a $5 million deficit at that time—if we had taken no other actions to replace those reserves. PHEAA is an established agency with adequate reserves and a sound fiscal base. Therefore, if these reinsurance provisions, loss or ACA payments, and return of federal advances would have these dire consequences for PHEAA, the consequences for other agencies, especially the newer ones with very limited reserve funds, would be even worse.

I know that the impetus for changing the reinsurance formula is in part to help reduce the federal budgetary deficit. But modestly reducing the federal budgetary deficit by a measure which produces what amounts to disastrous effects on many guaranty agencies is not effective public policy making. I recognize that some agencies might be able to withstand the losses of reinsurance, federal advances, and ACA payment if they raised insurance premiums and the cost of borrowing to students and their families. But when educational costs are rising and access to other types of aid is falling, it is not wise to further cut student access to needed loan capital. And asking state taxpayers to make up for lost federal support of the loan programs through increased state appropriations to guaranty agencies seems only to be an attempt to shift the program costs from federal to state taxpayers.

In promoting its proposed reinsurance formula, the U.S. Department of Education has argued that loan program default costs are soaring and that asking guaranty agencies to absorb greater proportions of those costs from their own resources will provide a direct incentive to suppress defaults. GSL Program defaults are not growing at an unexpected rate in view of the increased volume of borrowing during the past three years. Among states such as Pennsylvania with established older guaranty agencies, over eight out of ten had lower default claims rates at the end of FFY 1984 than at the end of FFY 1981.

It is primarily among states with new guaranty agencies that we find higher FFY 1984 than FFY 1981 default rates—and this is because so many of these agencies' new loans reached maturity in those intervening years. An "incentive" to agencies to reduce defaults is not really necessary. Agencies are concerned about defaults and are actively working to reduce them. Moreover, a reinsurance policy which depletes agency reserves and an overall federal strategy which places agencies at financial risk will do nothing to enhance agency ability to further reduce defaults. The ACA and reinsurance proposals will have the long-term effects of reducing borrower access to loan capital and weakening the loan programs to obtain only small federal cost savings.

The GSL Program as it is now constituted is a sound and maturing one. The current structure of shared costs and responsibilities among guaranty agencies, the states, the federal government, and the borrowers themselves is working satisfactorily to enhance access to private loan capital for students and maintain quality in the program. As a member of the Board of Directors of one of the finest guaranty agencies in the program, I want PHEAA to maintain and enhance our GSL program's record of service to students in particular and the Commonwealth in general. PHEAA will find these goals difficult to achieve if it must cope with the losses of ACA payments, reinsurance funds, and federal advances. Therefore, I urge you to maintain the current program financing structure.

Once again, I thank you for providing us this opportunity to share our views with you.

Mr. FORD. Thank you. Mr. Reeher.

STATEMENT OF KENNETH R. REEHER, EXECUTIVE DIRECTOR, PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY

Mr. REEHER. Thank you, Mr. Chairman, and a special thanks for coming into Mr. Goodling's district and into Pennsylvania. As I sit here and see you folks from Wisconsin, and Missouri, and Michigan, and you are in here at 9 Monday morning, it gives to me some indication of the dedication of the committee. Because we all know that there is a lot of Sunday evening traveling on that. And having met in Pittsburgh on Friday, a lot of Friday evening traveling.

The statement that I had prepared is not with us. I will file that later, Mr. Chairman, with your permission.

The National Commission on Financing Postsecondary Education, which I had the pleasure of serving on at the appointment of the President and serving with the chairman of this committee, found that the guaranteed student loan program was basically sound and functioning well, and really only need some fine-tuning in the reauthorization.

I guess, Mr. Chairman, that my main concern is that credit remain available to help finance higher education. As we go through the changes and review the changes which have already occurred, the need analysis above $30,000 and things like that that tend to restrict the availability of credit for certain people, I get more and more concerned that as we move ahead, that credit continue to be available.

Education is a very large expenditure, and people do have cash flow problems that need to be handled from other than current income.

We have the Pennsylvania Economy League, which is a thoroughly independent research arm, basically working with groups like the chamber of commerce and the Pennsylvania Manufacturers Associations and things like that. They did a study a couple of years ago. And their very conservative finding was that for every dollar that you put into higher education, $1.70 goes into the local community.

So if we are really looking at economic recovery through an expanding economy, it is my own opinion that higher education and credit for higher education are very key factors.

And I have some real concerns with the changing role of Sallie Mae, the changes that we have seen, and the changes that are surely to come about. As the members of the committee know, Sallie Mae was set up as a profitmaking corporation for the purpose of making student loans available principally by buying up loans that the lenders had already made, and providing new cash for new loans.

Sallie Mae got started by being permitted to go to the Federal Financing Bank to access money at a low cost to the corporation. As the concern over the off-budget financing that was happening there on the Federal Financing Bank became of concern to certain parts of the Government, the leadership in Sallie Mae elected to

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remove itself over a period of time from the Federal Financing Bank.

And what concerns me is that this has really turned this corporation into profitmaking. A corporation has profit as one of its key concerns, and the acquisition of high yield assets, student loans bearing rates of T-bill plus 3.5 percent. That has become their prime motive, and well it should under the conditions.

I think that the management of Sallie Mae has done a very good job in moving from the Federal Financing Bank into the private sector. But as you go to Wall Street and try to sell your stocks to the people who are making those investments, the element of risk leaves the corporation, and the need for security and high yield investments takes its place.

And that would not bother me if this were not one of the principal vehicles by which credit has to flow. And as the Government pays a smaller share of the cost of this credit and as the borrower pays more, I think that we need to look down the road apiece and see exactly what it is that we are doing to our next graduating class as they accumulate debt that bears interest at Treasury bill plus 3.5 percent, which under the committee's existing law has been 8 percent. At one point in our economy, the T-bill plus 3.5 was up around 18, 19, or 19.5 percent.

Now we all know that students generally are not employed at an earning level where they can pay interest rates of that type. And so those rates have to be accrued and capitalized onto the principal. And I would hope that as we go through this process that we could come up with a vehicle that possibly come down the middle for certain of our clients where in the past they had a low-cost loan while they were enrolled and during a long-term repayment period.

And if everything moves to the profitmaking sector where it would be T-bill plus 3.5 percent, maybe Sallie Mae which was funded by the Federal Financing Bank needs to be bolstered with some additional Federal involvement, or maybe even a combination of Sallie Mae and State agencies such as the Pennsylvania agency, where we could with some Federal assistance for certain of the groups that fall out of the very high subsidized student loan program could come into another credit facility that would allow them to enroll, that would keep higher education at a level where we could continue in an expanding economy, and then possibly have the debtor move to market rates during the repayment period.

We have in Pennsylvania accessed the tax exempt bond market for $300 million. We did that in December 1983. We did both of those issues on a temporary financing basis. We have refinanced the one, the $100 million deal, with a triple A letter of credit from Sallie Mae. And we have got that set up on a revolving fund kind of deal where Sallie Mae steps up and enhances our credit to the bond holder, because they are a very solid corporation. And we have also a commitment from Sallie Mae to purchase our loans as we want to sell them.

So as we go down through the next 15 years, we will be able to utilize that tax exempt money over and over again. And where we had possibly a $100 million line of credit on the tax exempt market, we might be able to roll that over five or six times. And we are in that project as opposed to what many States have done by

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working on a rather sizable spread between the cost of money and the cost of product to the borrower, we have substantially reduced the interest that our medical students have to pay.

We have in the last 18 months tried to do that same thing with the other $200 million. And we have been everyplace that we could possibly go to try to replace the Federal insurance with private insurance. And it is just not available. We have tried to work with the Pennsylvania insurance commissioner to get a Pennsylvania firm that would step up and insure student loans.

We have worked with FGIC, the Federal Guaranty Insurance Corporation. We have worked with the United Student Aid Funds, Balboa Insurance, Continental Insurance, and so forth, and so on. The best thing that we appear to be able to come up with at this time is to refinance our bonds with a bond issue through FGIC, the Federal Guaranty Insurance Corporation.

To do the $200 million, we need 1.75 percent up front, $3.5 million up front. Then we need a 17 percent guarantee reserve, another $3 to $4 million. My concern is that if Pennsylvania can pull that off, and I think we can, it is still very expensive. But there are so many entities out there like us that will not be able to do that, and there will be a very serious retrenchment, in my opinion, in the middle- and upper-middle income families' ability to finance higher education, because that credit will go away.

And my appeal to this committee would be to see if there is not some way that we can buy into continued Federal insurance for those types of students that fall out of the heavily subsidized student loan program.

We have worked very successfully with Sallie Mae, and we acknowledge and appreciate its changing role. In fact, Pennsylvania had the first secondary market for student loans back in 1971. And when this committee established Sallie Mae, we closed up our secondary market, and had those loans sold to Sallie Mae. And we decided at that point that we would service student loans rather than purchase student loans.

And we have built a rather close relationship with Sallie Mae. In fact, we recently signed a 5-year contract with them to service around $800 million worth of their portfolio. So I do not address this issue in a negative way as far as Sallie Mae is concerned. I simply want to point out to the committee that they are moving away from their ability to provide credit for students at a reasonable rate.

And again, that is in my opinion. I am very much concerned that the Treasury bill, plus 3.5 percent accrued, capitalized, and compounded over a 4-year period will, if nothing else, result in a graduate who cannot afford to go into certain areas of student, or cannot afford to go on to graduate school.

So I would hope that there is some way that we can allow State agencies and private nonprofit agencies to buy into that golden guarantee that the Federal Government is able to offer. There would be no student loan bond issues if they were not backed by the Federal guarantee on GSLs plus HEAL loans and so forth.

So we do need that as we move into trying to develop new products that would be less costly to the Federal budget.

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We will also provide written testimony that addresses some other issues. I will just cover them briefly. One would be loan consolidation. Our concern there is that first of all that lenders from the private sector and State agencies also be given the opportunity to participate in loan consolidation. I can cite cases where the secondary market bought the first loan that a student had borrowed through, did not buy the second loan, had concurrent repayments, and the loan defaulted, because the borrower was not able to keep up.

That particular case and there are a number of them was brought about by the fall of the right of Sallie Mae to consolidate. But there are instances where State agencies would also want to consolidate. And it might very well be that the cheapest place to consolidate and collect the loan is through the private sector where they are driven by that profit motive and need to keep their costs in tow.

But if we develop new products as PHEAA surely will, we are looking today at refinancing through FGIC, and putting a supplemental alternative loan on the street at 8.5 percent. We think that we are able to do that. Our cost of money and trimming some of our administrative costs, we hope to be able to offer that kind of credit to our borrowers.

As I mentioned to you, we also have the HEAL program. While at some point consolidation has to occur, so that the HEAL, the supplemental, the alternative loan, the GSL, that those can be combined into one repayment. It is necessary to avoid default, and it is also necessary so that we do not make an unwarranted intrusion on the bond program that we have.

There are very stringent IRS rules that as you amortize your student loans unless certain things happen that you must then amortize your bonds. And since there will be no new bond authority, it is important for us that all of that be timed in such a way that there is not a premature call of the student loan, and we cannot afford to end up with cash instead of an investment. Because if we are not able to turn that immediately around into a new student loan, we have to begin to recall bonds, and we lose that revolving fund concept.

The second thing that I would be concerned about, of course, is the tax exempt bond market. And I know that that surely has the death knell on it as far as the administration is concerned. I would hope that we would be able to classify student loans are public purpose rather than private purpose. And that that kind of funding would be available to help develop these alternative loan concepts.

We have also prepared and shared with the chairman a proposal developed in PHEAA called the reduced interest proposal. It is our opinion that the very large portfolio of student loans is currently on the books, on the books at a $50 per month monthly repayment, in some cases $30 a month, and interest rates of 8 and 9 percent.

That something has to be done to encourage the borrower where they are able to make an early prepayment of that debt, and get that off of the books to reduce the Federal costs for the SAP, the special allowance payments. To reduce those costs, so that we do not annually have to go through reducing the eligibility of the new student coming onto the scene.

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We have proposed that if a student were to make a double payment, increase by 100 percent the payment that they would make monthly. And we think that there are parents, particularly in Pennsylvania, we think that there is an ethic out there that the parent would help. If you were to double the payment, that you could reduce the interest rate by 1 percent for the borrower.

If they increased their repayment by 50 percent, instead of $50 a month, make it $75 a month in repayment, and reduce the interest rate to the student by one-half of 1 percent.

Over the life of the loan, the borrower would save 50 to 67 percent of their interest costs. And the SAP payment cost to the Federal Government would be reduced from a third to a half. And we estimate that 25 percent would participate in that program, and it would bring an annual savings of $50 million to the Federal Government.

Again as one of the founders of the State Grant Directors Organization, I would again suggest that the SSIG, State Student Incentive Grant Program, be funded. In fact, we would suggest that it be increased to a $250 million level. It helped establish 21 programs around the country, 21 State programs.

We would suggest that there be an option in there for the college work-study program, that a State could utilize it for that purpose. And I think that one place that we have really missed the boat on the work-study is that the program has traditionally been limited to the nonprofit sector.

And as we look at robotics, and automation, and that kind of thing, I think that the bulk of the jobs where that will be involved is in the profitmaking sector. And we in Pennsylvania this year are starting the first program of that type where students will actually be able to get an internship or a summer job in the profitmaking sector.

And then finally, I will talk just a second about defaults. We read all of the horror stories, and they generally come out about the time that students are trying to figure out whether or not they can go to school, and it creates some real concern about whether the programs will be there.

We look this year at coming out and trying to counter some of that stuff. Instead of doing that, we try to work directly with the students on an individual basis through mailing and through our regional office, and things like that to make them aware that the programs really would not be impacted upon until 1986, and that they ought to plan to go to school.

But I saw a report in PHEAA in the last couple of days where the defaults that we have purchased in the last 8 months were successful in getting at least one payment out of about 37 percent of those accounts. I know that if my cohorts heard me say this, that I would probably be in trouble.

But we pay the bank 100 percent on the default, and then we bill the Federal Government. And if our experience is good and ours has been, we get 100 percent back. Then we are charged with collecting that debt from the borrower. And we are allowed to keep up to 30 percent of anything that we collect. We are allowed to keep our cost of collection not to exceed 30 percent.

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So you cannot make any money on it. You can simply collect the debt. It occurs to me that there ought to be a process of having a holding period there where we would actually buy the loan from the lender, and then we would put our tools in place. We are allowed to garnish. We go go to the Bureau of Employment Security for a new address. We can go to motor vehicles. To do those kinds of things, and get the loan on repayment. And then sell it back to the bank where you do not have the 30 percent deducted from the collection. I think that that is something that merits some real consideration.

That is all that I have, Mr. Chairman. Thank you.

[The prepared statement of Kenneth R. Reeher follows:]

PREPARED STATEMENT OF KENNETH R. REEHER, EXECUTIVE DIRECTOR, PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY

Good day Mr. Chairman, Members of the Committee, I am Kenneth R. Reeher, Executive Director of the Pennsylvania Higher Education Assistance Agency. Thank you for coming to Pennsylvania for this hearing. PHEAA as it is known here is our Commonwealth's designated guaranty agency. PHEAA also performs other functions in the student aid field such as administration of the state's grant and work-study programs, and provides loan servicing functions for lenders and computer-based financial aid management services to schools and colleges. I am pleased to offer you some observations about the Guaranteed Student Loan Program and the State Student Incentive Grant (SSIG) Program in this written statement.

We in Pennsylvania view the role of higher education in our future as a most vital one. The massive changes occurring in our economy have forcefully convinced us that only our ingenuity as refined and improved by the education process can buoy our economic future. In view of the ever rising costs of tuition and fees and the fact that Pennsylvanians tend to have lower incomes and larger families than the national averages, we feel acutely the growing need for student financial aid especially educational credit. We know there are not now and likely never will be sufficient grant funds to enable our citizens to obtain a higher education and the benefits of a career, income and enchanced quality of life that higher education makes possible. Therefore we must not allow contraction of educational credit through the Guaranteed Student Loan Program. Furthermore, we must seek new ways of making additional sums of educational credit available to our citizenry.

Accordingly, as the National Commission on Financing Postsecondary Education on which I served with the Chairman concluded, the Guaranteed Student Loan Program is basically sound and in need during Reauthorization simply of fine tuning. Let me address some remarks to ways in which credit might be expanded outside the parameters of today's Guaranteed Student Loan Program.

First, I have some concern about the changing role of the Student Loan Marketing Association, better known perhaps as Sallie Mae. When established by Congress in 1972, Sallie Mae was regarded as an important step to assure the continuing availability of private capital for student loans. Sallie May was "chartered" to provide a secondary market and warehousing facility for insured student loans originated from private funding by lenders functioning in the private sector. Seed capital of $5 billion was provided through the Federal Financing Bank at below market interest rates and the Association was originally afforded tax exemption, which in part still survives. Later other functions to stimulate capital availability were added to Sallie Mae's charter, including additional loan insurance programs and authority to creat and provide loan products to meet the needs of students where it was evident such need existed.

Upon creation of Sallie Mae, Pennsylvania fully supported the concept and implementation of a national secondary market for student loans through Sallie Mae to the point of "folding" the PHEAA operated secondary market to afford Sallie Mae free access to market the private sector lenders in Pennsylvania. We have worked cooperatively with Sallie Mae over the intervening years by developing PHEAA's student loan servicing capability to facilitate loan sales from the private sector to Sallie Mae so as to encourage Pennsylvania lender participation in the private sector and to encourage full and open access to privately funded student loans. We have assisted Sallie Mae by servicing a portfolio of their loans for them at competitive prices. Indeed, we recently completed a five-year loan servicing contract with

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Sallie Mae culminating several years of a fruitful and cooperative relationship between our two organizations. PHEAA has also been involved with the Association in our tax-exempt bond programs, borrowing funds from Sallie Mae, arranging a letter of credit from it to back our entry into the market, and arranging for the future purchase of our loans by Sallie Mae. They will effectively be the long term holder of the loans generated from the proceeds of the original December 30, 1983 tax-exempt bond issue. PHEAA, as an issurer will not benefit from any spread between the bond rate and the rate on the student loans as all interest savings are being passed on to the borrower when the loans are held by PHEAA, the issuer.

In spite of our continuing and successful relationship with Sallie Mae, I must express my concern with the emphasis on profit and accumulation of high yield assets in which Sallie Mae was placed by the withdrawal of access to the Federal Financing Bank which offered Sallie Mae a source of low cost funding. Now Sallie Mae must establish and maintain its financial strength in the private sector where profit is the measuring stick. What should be the objective of this Congressionally established corporation—profit for shareholders or access to low cost and reasonable educational credit for students and their parents? Sallie Mae has at times restricted its purchase of loan portfolios to those loan portfolios that have higher average balances, thus causing some private sector lenders who need liquidity to move to limits on borrower access to small balance loans. Restrictions against small balance loans impacts on students who attend two-year colleges or business, trade and technical schools and nursing schools. Is this the end result envisioned when congress established Sallie Mae? Now as parameters for federally subsidized loans become more stringent and fewer families qualify for low cost credit and are forced to private non-subsidized borrowing, what should be the objective of this corporation established by a Congressional committee with responsibilities in higher education? Should Sallie Mae push to higher profits, as it surely must if not federally subsidized through access to cheap funding, or should it direct its efforts, with federal support, to providing cheap credit to those who fall through the cracks in the Pell and Guaranteed Student Loan Programs? I ask this committee to take a hard look at where we are going. Surely less credit flows from the private sector now than the aid that was readily available through student loans under the Middle Income Student Assistance Act and even less will be provided by our private sector banks under "need across the board" or a reduction in the Special Allowance Payment. Should Sallie Mae step in and move educational credit to a cost across the board of T-Bill plus 3½% or should the existing advantage of funding in part by the Federal Financing Bank be bolstered by a new federal effort to sustain and direct Sallie Mae's efforts towards the goal of educational credit at reasonable rate while one is a student and unemployed.

Possibly the answer is to strengthen state agencies to enable them to supply alternative or supplemental loans as the federally subsidized loans encounter retrenchment and Sallie Mae seeks profits for its stockholders and funding at the higher cost markets of Wall Street and Europe. It could be a combination of efforts by Sallie Mae and state agencies nurtured by legislation from this committee. It certainly isn't alternative loans at T-Bill plus 3½% to turn a profit for the stockholders or because the bond issue of a state agency has been forced to taxable financing.

Sallie Mae and state agencies should be positioned by Congress to handle some factor of financial risk so that Sallie Mae and the state agencies may jointly develop and introduce new and innovative means of financing higher education credit. It's the American way but it will never be pursued where stockholder profit is such a vital key to the acquisition of funds and the investment in corporate assets.

Although Sallie Mae is a private corporation, its powers and authorities can be no greater than those granted by Congress. As now written, those are broad and general and have taken the Association to a point where its balance sheet shows net earnings increasing by a factor of ten from 1980 to 1984 and earnings per share growing from 27¢ to $1.91 during the same period. I cannot fault the management of this corporation, in fact it has been excellent. Management was more or less forced from the Federal Financing Bank and has handled its new charge well. But I must question the intensity of the application of the profit motive in student financial aid if the borrower and not the government is to pay the bill. The need of Sallie Mae to acquire student loan assets which are "risk free" and priced at the Treasury Bill rate plus 3½% is a factor that will increase the cost of educational credit to students and families and impact on access and choice of academic program and life's career as will ever mounting educational debt unless this Committee seeks an alternative. Sallie Mae is now creating alternative loans through its equal access and other programs at interest rates that will impact seriously on the borrower's capacity to participate in the economy following graduation or while the borrower's

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dependent is enrolled as a student. This committee must define the respective roles of Sallie Mae, state and non-profit loan guarantors, private capital and private sector lenders, and the level of subsidy which the federal government will bear to make reasonable educational credit available. To me this is the supreme challenge faced by this committee.

LOAN CONSOLIDATION

My concern deals principally with student borrower debt management. While the repayment terms of federal loan programs are reasonable and within the financial means of most borrowers, students who accept loans from more than one program and more than one lender often find it difficult to meet the combined monthly payments for all of their outstanding loans. This is a problem for many borrowers but is especially a problem for two distinct categories of students: Borrowers from low-income families who have accepted both National Direct Student Loan (NDSL) program loans and Guaranteed Student Loan Program (GSLP) loans and other borrowers who have found it necessary to accept large-balance GSLP loans and Health Education Assistance Loans (HEAL) and/or Health Professions Student Loans for advanced study in health professions.

In the former case, the borrowers from low-income families sometimes have difficulty finding better salaried jobs immediately after leaving school and therefore payments on multiple loans are quite burdensome and sometimes lead to defaults on their loans. In the latter case, the borrowers may earn higher-than-average incomes upon graduation but the necessarily large loan debts incurred to pay for their education make multiple loan payments quite burdensome.

For these reasons, we encourage the Congress to authorize legislation to enable borrowers to consolidate loans made under Title IV programs and through the programs of the Department of Health and Human Services (HEAL and Health Profession Loans) with all eligible lenders and holders of loans in the GSL Program. In addition, guarantee agencies should have the ability to guarantee those loans consolidated by eligible lenders within a state.

Prior to November 1983 when the legislation expired, the Student Loan Marketing Association was the only program agent permitted to consolidate loans. In deliberations on the question of renewal of that legislation, the Congress was urged to permit other lenders and holders of the loans to consolidate them. This was urged as a means of expanding borrower access to loan consolidation when SMLA consolidation was not available. Consensus on the terms of loan consolidation and on who should be able to consolidate the loans was not achieved. Therefore, the implementing legislation expired and many students whose loans have reached repayment since that time have experienced undue repayment burdens.

It is vital that new consolidation legislation be established at the earliest possible time. Legislation which permits lenders and holders of GSLP loans to consolidate all loans is urgently needed because GSLP loans represent only a part of the borrowers' debt repayment problems. PHEAA alone has over 21,000 student loan accounts where the borrower has taken out loans from more than one holder. A vast majority of these accounts list Sallie Mae as one of the holders. When these accounts go into repayment, the borrowers oftentimes experience repayment problems and sometimes go into default because they cannot make the minimum monthly payment to both Sallie Mae and the holder of their other loans. In cases such as these, it would benefit the student and federal government to permit the state guarantee agency to purchase these loans and consolidate the outstanding loans, allowing the borrower an easier repayment schedule and reducing the chance of default. The terms under which loans might be consolidated are of lesser importance than consolidation itself. It is believed that loan consolidation terms which are agreeable to lenders and other holders and to borrowers can be established by the Congress to help relieve students of their debt burdens.

TAX-EXEMPT BONDS

Another concern I wish to address is a consequence of the trends of relatively decreasingly federal student aid and increasing educational costs. Today's students have an increasing need to obtain loan capital to help finance their educational endeavors. Education has been recognized as a vital public endeavor in our state and nation for more than a century, and this is reflected in direct appropriations to state-owned and state-related educational institutions as well as in the state and national student grant programs. Student loans are an appropriate public use of tax-exempt financing and that financing must be allowed to continue in a reasonable

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but unimpeded manner in order to help ensure access and choice for our nation's students.

The student loan program revenue bonds should not and cannot be placed in the same category as industrial development bonds. Student loan program revenue bonds should not be required to compete for the limited allocations with programs which, in many cases, benefit private industry with only indirect social impact. To say that a loan which finances a student's cost to live in a college dormitory is private purpose but the loan to construct the dormitory is public purpose lacks all support of sound reasoning.

Congress itself established the tax-exempt status on student loan revenue bonds by passage of the Tax Reform Act of 1976. (P.L. 94-455). This position was reinforced by Revenue Ruling 63-20 that specified non-profit corporations cannot utilize tax-exempt obligations to finance intangible property. As a result of this position, Congress enacted amendments to the paragraphs contained in section 103 of the Internal Revenue code to specifically exempt qualified scholarship funding bonds from Federal income taxation.

In the Educational Amendments of 1980, Congress again supported the continued use of tax-exempt student loan revenue bonds as a mechanism for raising capital. A requirement to have each issuer of tax-exempt bonds file a Plan For Doing Business was enacted to verify that these issuers were not accumulating surpluses and that the minimum special allowance which was to be paid to the issuer was assured. This was merely a safeguard legislated to assure that no abuses of this provision would occur and is a noble and reasoned objective that should continue to be pursued.

In the Student Loan Consolidation and Technical Amendments of 1983, a brief amendment, now known as the Ford amendment, to the required "Plan for Doing Business' stated that . . . "the Authority will not issue obligations for amounts in excess of the reasonable needs for student loan credit within the area served by the Authority, after taking into account existing sources of student loan credit in that area". Committee reports for both the House and the Senate reflect no major policy change to the original plan; in fact, no discussion of this issue was even generated. A reasonable interpretation of Congressional intent seems to indicate that this amendment was nothing more than a requirement for pre-screening these tax-exempt issues by the appropriate screening body which could be anything from a reputable and recognized national bond counsel to the Secretary of Education or the Secretary of Treasury. Suddenly, without public comment, proposals or normal regulatory procedures, the Education Department under the auspices of the Office of Management and Budget published the infamous Bulletin 1-81E "New Legislative Requirements Applicable to Student Loan Authorities Issuing Tax Exempt Obligations". That bulletin requires each issuing authority to submit extensive data on the necessity for issuing these bonds taking into account not only existing sources of student loan credit in "that" area, but also "potential" sources from most any place. Authorities must now not only demonstrate the need for the level of bond issuance requested, but also demonstrate why this can not be accomplished through taxable sources.

Furthermore, the seemingly harmless initial amendment is now supported by new legislation which has placed a cap on these tax-exempt bond issues to both limit their use and reduce the cost to the government. But a strong case can be made for the exemption of student loan issues since they account for only a very small percentage of the total federal borrowings by state and local governments. The questions raised by each of these items are too numerous to mention in this statement. Several articles published in national periodicals as well as the Chairman himself have stated that the intent of the initial amendment in 1983 was merely to clarify the process of evaluating the need for student loan bonds. For the financial strength and maintenance of the student loan program I urge that these restrictive proposals be re-evaluated and redrafted. Screen the issues and remove the abuse by issuing authorities but keep the reasonable credit for higher education available to needy students and parents.

REDUCED INTEREST PROPOSAL

Finally, I want to suggest a new approach toward reducing the cost of the Guaranteed Student Loan Program. A major portion of the federal government's cost of funding the GSL program is incurred for Special Allowance Payments to lenders in behalf of borrowers who have left school and whose loans are in repayment status. Special Allowance Payments (SAPs) help lenders to maintain a level of return on their investments in the program that is sufficient to enable lenders to make needed

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capital available to students. These payments are made while the borrower is in school and throughout the lifetime of the borrower's loans.

The National Council of Higher Education Loan Programs has proposed a reduction in SAPs paid in behalf of new borrowers when their loans reach repayment in future years. This proposal will help reduce the government's cost of program subsidies for future borrowers without creating debt repayment burdens for the vast majority of them. But the proposal will do nothing to reduce the cost of subsidizing old loans that are already in repayment status or those which will soon reach such status.

A means of reducing the cost of the subsidy for loans that have already been made is needed. Because these old loans represent contractual agreements between borrowers and lenders, their terms cannot be changed unless both parties agree to them. Therefore, incentives to borrowers are needed to reduce the length of time normally taken to repay the loans. The less time a borrower takes to repay or amortize the loan, the less time the government will have to make SAPs on the notes and the less it will cost for the subsidies. We have described a proposal to reduce those "out-year" subsidy costs in a report entitled "Cutting the Costs of the Guaranteed Student Loan Program: The Reduced Interest Proposal." The proposal is to offer borrowers who have not yet entered repayment and those who have not yet reached their third year of repayment two cost-reduction options: (1) for doubling their current or scheduled monthly repayment, a reduction of one percent on the interest on their notes, and (2) for increasing their current or scheduled monthly repayment by 50 percent, a one-half percent reduction in interest on their notes.

Increasing the monthly repayments would save borrowers from 50 percent to 67 percent of their interest costs on their notes. Decreasing the time necessary to amortize the loans would reduce the federal government's costs for Special Allowance Payments by from one-third to over half, depending on prevailing Special Allowance Payment rates and the time at which the borrowers begin to participate in the program.

To maintain the current level of lender returns on their investments in the loans, Special Allowance Payments on discounted interest loans would increase by the appropriate one-half or one percent interest. This has the effect of slightly increasing federal Special Allowance Payment costs in the initial year of participation in the proposed plan in order to derive significant and substantial savings in the remaining years.

It is estimated that at least one-fourth of all current borrowers would be willing and able to participate in the plan and that the federal government's ultimate savings on each year's cohort of loans entering repayment would be no less than $50 million.

STATE STUDENT INCENTIVE GRANTS (SSIG)

Because its level of appropriation has never exceeded $78 million, the State Student Incentive Grant (SSIG) program has too often been overlooked by many policymakers as a viable means of enhancing the state and federal partnership in student aid. The Program Administration has repeatedly proposed elimination of funding for the SSIG on the grounds that budget savings would be achieved and that the program is no longer needed.

We have studied the effects of the SSIG program on the development of state-supported grant programs and found that it has strongly contributed to the establishment of such programs in 21 states where prior to the SSIG there were none. Our study showed that the SSIG has contributed to the maintenance of programs in 14 of these states and to the phenomenal growth of programs in seven states. Our analysis also indicated that the SSIG program has contributed to program growth in at least 28 states which had grant programs before the SSIG was first funded.

We urge Congress to increase the SSIG funding level above the current authorization level to at least $250 million and recommend a minimum funding level in every state of at least $500,000 to encourage states to offer additional financial assistance to their students. Currently 14 states receive less than this minimum amount and seven of them meet only the required dollar for dollar matching allocation. Increasing the minimum allocation would dramatically enhance student access to grant aid in those states.

To enhance the leveraging ability of the SSIG program, we also recommend that Congress consider permitting states to use a portion of their SSIG allocations to support state-funded work-study programs. Many states have recently established relatively small work-study programs which help meet student financial needs and also provide useful linkages between academic and employment experiences. The ability

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of states to use some of their SSIG funds to establsh and support such programs would help promote these important linkages and expand employment opportunities for students.

It makes good sense to us for the federal government to continue to support a program which has a proven track record of producing good effects and continues to leverage equal numbers of state dollars for every federal student aid dollar expended. In these times of increased need for student aid it makes little sense to let an effective program reach an untimely demise.

Thank you of the opportunity to present these remarks. My staff and I will be glad to answer to answer any questions the committee or its staff may have at any time during the Reauthorization process and to acquire and provide any data we can that will aid in your deliberations.

Mr. FORD. Thank you very much. Mr. Reeher, it is a pleasure to see you in your own territory. I have worked with you for so many years in Washington that I tended to think of you as a representative of something bigger than Pennsylvania. But throughout association with you and your operation, members of this committee over the years have been impressed with the fact that Pennsylvania has been early and very effective in anticipating the needs of these programs and working with them.

How many States are you now servicing loans for besides Pennsylvania?

Mr. REEHER. We are servicing ten States, Mr. Chairman, and about 50 banks.

Mr. FORD. I do not know of any other State that has that kind of servicing. There are some private nonprofit groups that represent a number of States, but I do not know of any other State.

Is there any other State that does that?

Mr. REEHER. I do not think that any other State is working with a sister State outside of their border; no, sir.

Mr. FORD. I take very much to heart some of the things that you have said about facilitating refinancing to avoid the abrupt shifts that take place.

If we were to, and I assume that the committee will, provide for loan consolidation again, are you satisfied that the experience that we had during the two years that Sallie Mae had it in place demonstrates that it will work?

Mr. REEHER. Oh, yes. I think that it will work, and I think that it is very, very necessary. Particularly as the cost of education rise and the indebtedness or the debt level of the individual rise, it is very necessary if you want to avoid defaults.

Mr. FORD. Thank you.

Would you be in favor of trying to work into consolidation income sensitive repayment?

Mr. REEHER. Yes, I think so. There is a pro and a con on that. On the con side, if you have a graduated repayment, that debt remains on the books for a longer period of time. And if you are paying SAP payments, that does tend to hold your costs. However, on the other side of it, if you can increase the repayment, you can reduce the cost of interest to the borrower. So it is attractive from that point of view.

Mr. FORD. Mr. Cowell, I want to thank you once again for the material that you prepared for today. I have to tell you that as a former State legislator myself, that I have not found over the years very many State legislators, if any, who are as demonstratably familiar with higher education as you demonstrated to the committee on Friday in Western Pennsylvania and again here today.

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I do not know what your political party is. If I am saying something nice about the wrong party.

Mr. REEHER. He is OK.

Mr. FORD. I do not know whether I can trust you here. You were appointed by Reagan to my Commission. So I do not know quite what Ken is.

Mr. REEHER. I snuck up on you on that one.

Mr. FORD. But in any event, I am very pleased to see that this kind of expertise is with our States, because we do need all of the help that we can get to get the partnership. You mentioned really a triad of State, Federal, and private sector participation in higher education. And I think that is coming more and more to be understood by people as an absolute necessity for our healthy future.

Mr. Coleman.

Mr. COLEMAN. Thank you, Mr. Chairman.

Mr. Cowell, I echo the statement of our chairman. I am glad to hear you mention graduate education in your comments. I want to point out that as you well know the national study on graduate education, "Signs of Erosion" shows a great need in our graduate enterprise. Since you mentioned your support for assistance in areas of critical need in graduate education which is very similar to the bill that I have introduced again this Congress, we have gotten the input that maybe we ought not to limit that to the so-called critical either as determined by the Secretary or as determined by actual legislation.

My own feeling is that since we have limited resources, we ought to concentrate on those areas where we have a consensus that there is a critical, national need. I wonder if you might just for a moment expand on your comments. Do you support a limitation for those areas that we perceive as needy such as math, science, biology, physics, chemistry, engineering, computer science, and foreign languages.

Mr. COWELL. Sure. I mentioned the critical need, I guess primarily for the same reasons that you did, the budgetary restraints that inevitably confront you. On the other hand, I have some reservations about the ability of any level of government to make those kinds of determinations about what critical needs are today or tomorrow. And an awful lot of the problem is trying to guess what the critical needs will be tomorrow rather than the immediate needs of today.

But nevertheless if the budgetary restraints are such, then we may have to limit it to critical need. But I think that it is very important that we address the problem. The loans that are being accumulated and the heavy debt that is being carried is certainly a disincentive again for many very talented men and women to pursue their studies.

I mentioned in my testimony on Friday that one area where I see that is not only with graduate studies per se, but the teaching field generally. And I was thinking particularly of faculty at the higher education level, though. It is a heck of a lot easier to walk out with an undergraduate degree in certain critical need areas, walk down the street in any one of our major cities and get a very lucrative position at $25,000 or $30,000 a year.

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And all other things being equal, it may be very difficult to convince that young man or woman that they ought to go to school for a couple of more years, accumulate another $10,000 worth of debt, and then take a job as a starting faculty member somewhere for $18,000 or $20,000 a year.

So I think that if at least we are able to shape aid programs, that we ought to try to create some incentives for those same men and women to pursue graduate or professional studies.

Mr. COLEMAN. Thank you.

Mr. FORD. Mr. Coleman, I should tell you that on Friday at McKeesport, a woman speaking for the Pennsylvania graduate schools spoke very warmly and endorsed your bill, and recommended that we include it in the authorization. So they know about it up here in Pennsylvania, and apparently are pleased with the approach that you have taken. Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman. The three witnesses have all indicated that they are basically supportive of the retention of the current programs as much as possible. And as you well know, Mr. Chairman, and other members of the subcommittee, we have been grappling with trying to find, as I put it, some kind of a middle ground, some kind of a solution.

You have said, Mr. Cowell, that we ought to strike a balance with student loans and the whole loan program. As I understood it, you were not very specific as to suggestions as to how we strike that balance.

It appears that the direct loan program may be really hanging in balance and with real concentration on the guaranteed loan provision. There have been some suggestions that maybe we ought to reduce the amount that the government has to be responsible for. I think that it is 90 percent currently, I guess, of the loans. Some have suggested that maybe that ought to be reduced to 75 percent.

I would like to know from either of you what would this do to the whole program. I am thinking particularly in those areas of particularly graduate students. I have heard testimony indicating that there are some students that have debts when they finish their schooling in the field of medicine that has run as high as $150,000, I think.

What would this do to the program? Do you think that it would be attractive to private institutions who do lend money to lend money if the Government only guarantees 75 or 90 percent of the loan? It seems to me that it would be extremely difficult for some students to be able to get loans without that guarantee that they now have. So I was wondering what your reaction is to that.

Because we have to try to find some kind of way to retain help for these students. I spoke to a graduating class yesterday in Chicago of some 368 high school students who were drop-outs ranging in age from 15 to 18. My pitch was to try to get them to go on to institutions of higher learning, and I know that most of them will not be able to go unless they get some assistance. But it also appears that it is getting more difficult to get assistance. I wanted your reaction to these problems.

Mr. REEHER. With relation to the institutions, the colleges and universities, we have had a little bit of experience with that in the last year. In trying to come up with insurance for these student

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loans that would be acceptable to Wall Street, you know, on our bonds, we have been addressing the question with the colleges and universities as to whether or not they would step forward and assume part of the cost of insurance, part of the responsibility for defaults.

And the general picture is that first the public institutions have to go back to the State legislature and get the money to do it. So you might as well go that route to begin with. And in the case of the private institutions, they have so many demands on them now as far as trying to maintain buildings and stuff like that, that to put the additional burden on their books would impact their credit rating substantially.

Mr. HAYES. What is your ratio of default now?

Mr. REEHER. Well, in Pennsylvania, we have annually been under 5 percent, the 5 percent swing factor.

Mr. HAYES. I wish that commercial loans default rates were that low. Go ahead, I did not want to cut you off.

Mr. REEHER. Well, the impact of assuming the responsibility for defaults on the private institutions' financial strength, everything points to us that if they do that, that almost without an exception that your Pennsylvania institutions then could not get into the bond market to do things like put new roofs on dormitories and stuff like that. So that has been a major problem for us in trying to come up with insurance.

I think that the other thing that you do is if you put the institution in the position where they must do that, you move into what we call a tortion redirection kind of thing where you charge Peter to pay Paul. You increase your cost of tuition, and then you redirect that over to support loan defaults.

Mr. COWELL. Mr. Hayes, if I might add, first on the note of balance, I was really speaking with two thoughts in mind. One is that as these programs are structured, I think that we want to be careful and I hope that you would be careful not to drive consciously or unconsciously more and more students to a decision where they have no alternative but the public sector.

As I mentioned in my testimony, one of the richnesses of our system of higher education in this State is the diversity that we have. The private sector certainly plays a major role. It is not only a question of diversity and certain kinds of opportunities being available at the private sector institutions. But we have to keep in mind that if we would structure our policies so that we would drive students to the public sector, what we would effectively do is increase the burden on Pennsylvania taxpayers or those local taxpayers be they supporting community colleges or State institutions across this country. I think that we need to be sensitive to that.

And second, I was speaking in terms of a balance between how much grant you are going to get versus how much loan you are ultimately going to be required to carry. And I think that others who are in the business on a day-to-day basis are speaking very specifically to your committee about increases in the Pell Grant Program as well as the amount of money that a student might be eligible to borrow under GSL in any single year over the life of their educational program. But that is what I meant about balance.

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Mr. HAYES. You are conscious of the fact that there has been quite a bit of sentiment for the complete elimination of the whole grant program, right?

Mr. COWELL. I understand that there are some folks who are thinking of that, and I think that that would be devastating. What we would effectively do is tell lots of families again for whom there is no real tradition of higher education in their family and for whom the prospect of a big loan debt is just overwhelming, telling them to forget it, go do something else.

I think that the folks who may propose eliminating the grant program or substantially reducing it are completely insensitive to the needs of those families and those individuals.

On the impact of shifting more of the burden through somebody else and away from the Feds to guarantee the student loans, again it comes down to how many games folks want to play. If you make that kind of shift, we are ultimately telling students, we shift it to them, we are telling them that they are going to have to borrow even more money if they are going to pay a higher insurance premium.

If we tell the States that the States are going to have to do it, we are going to see more State resources used for reinsurance rather than for grant programs, for instance. If we tell institutions that they have got to do it, Mr. Reeher already described the reality for them. They cannot do it. Because the alternative or the prospect would be to completely undermine their financial security.

So to shift the burden on guaranteeing those loans is really an exercise in gamesmanship, I would suggest, by simply shifting the burden from where I think that it is most appropriate carried at the Federal level.

I tried to emphasize in my remarks on Friday and today that really we are talking about a corroborative effort, we are talking about balance and a shared burden. But when we talk about guaranteeing a repayment of student loans, I think that that particular burden can best be carried and is most appropriately carried at the Federal level.

Mr. HAYES. No further questions. Thank you, Mr. Chairman.

Mr. FORD. Thank you. Mr. Goodling.

Mr. GOODLING. Mr. Chairman, realizing that we are already way behind, I will only take 45 seconds, first of all to thank Congressman Hayes for joining us.

Mr. HAYES. I am glad to be here.

Mr. GOODLING. You got lost? You came through Beverly's district? If you got lost in either her district or mine, you were lucky.

To Ron, I would merely say that I have not gotten to know you the way that I have gotten to know your counterpart on the Senate side, since I was his teacher/counselor/coach/father and a few other things. But the ACA payments are covered in the supplemental that the House and Senate have passed, and the problem is that they have other problems that keep them from conference. It has nothing to do with education, as I understand.

And Ken, a two second answer, do you have any problem with the need analysis for all applicants rather than just those $30,000 and above?

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Mr. REEHER. I have a problem applying the Pell Grant need analysis to all. There is, in fact, a test of need now in that the student cannot borrow more than the cost of education unless there are other resources. But to apply what has traditionally been a State grant or a Federal grant assessment of need to a need for credit, I have a problem with that.

Mr. GOODLING How about if you just used the regular GSL uniform methodology that is presently used?

Mr. REEHER. I believe that that is too strict to test need. I would rather see the program move towards a test of need for credit even with varying rates of interest where the very low income student would be fully subsidized by the Federal Government. And as you moved up the scale, there would be a higher interest rate payable by the student or the parents and a lower subsidy from the Federal Government.

Mr. GOODLING. Ron, we will take an hour sometime to discuss state and local tax deductions. We will not have time to do that today.

Mr. COWELL. May I comment quickly about the need analysis, though. I serve on our need analysis committee for PHEAA, and I hear folks talk about using this need analysis process, and that need analysis process, or something like it in determining loans.

My experience with need analysis for grants anyway is that it is a completely artificial process. You really structure the process so that the conclusion meets the number or fits the number of dollars that you have available. If we start to apply the stringent need analysis process through determining whether people can get loans or not, and use those same kinds of artificial variables that we usually insert into the need analysis process that I am familiar with, what we are really going to do is tell a lot of folks again forget higher education.

Because we are not really measuring their real need when we tell them that there is not a grant available. We are telling them how much money that we have available. If we start to do that with loans, too, they have got no other place to turn, and we are really foreclosing an opportunity for them then.

So I would urge that we not adopt any terrible stringent need analysis process as we try to determine whether folks can even borrow money.

Mr. GOODLING. I understand your concern. And at the same time, I can understand the concern of the 50 percent out there who pay the taxes, who do not send their children to any institution of higher learning private or public, who have some concerns when they read about some of their neighbors, et cetera.

Mr. COWELL. You are absolutely right. And I think that it is incumbent on those of us who know what is going on a little bit more thoroughly to one, make sure that we do the best job that we can to clean up those defaults, and make sure that the system is not abused. But second, I think that it is also incumbent upon as advocates for education and advocates for higher education to inform our neighbors, the other fifty percent, that they indeed have a stake in terms of what is happening in the higher education community as well.

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They have a stake in educating young men and women to be good teachers, to be physicians, to be scientists. We talk about a strong military in this country. We are not going to have a strong military if we do not have a strong education system.

We in Pennsylvania have begun to appreciate more completely over the last couple of years that if we want to be viable from an economic development standpoint, we better put more resources into our basic and higher education system as well.

I would suggest that that same kind of principle and that same kind of thinking would be applicable from a national standpoint, just as it is applicable at the State level.

Mr. GOODLING. I have no problem with that other than if you have a $20,000 income and are feeding four, and trying to make ends meet at the end of the month, you may not be so receptive to that kind of education. You have a few other problems that are facing you.

I have no other questions, Mr. Chairman.

Mr. FORD. Mr. Gunderson.

Mr. GUNDERSON. Mr. Chairman, looking at the fact that we have used over half of our time, and we have three-fourths of our witnesses to go, I would rather hear these people speak than ask questions today, so I will pass.

Mr. FORD. Bev, do you have anything?

Mrs. BYRON. I have nothing to add. The testimony has been excellent. I would want to say that I am interested to note that under the new reauthorization, that there is going to be an emphasis on adult learning, and an emphasis on business and industry in the educational field. And I think that that is a way that we can pick up some educational benefits without enormous cost.

Mr. FORD. Thank you very much, gentlemen. The next panel will be Mr. Robert Iosue, president of York College; D. Ray Hosteller, president of Messiah College; Samuel Banks, president of Dickinson College; Melvin Palmer, vice president and dean of academic affairs; and Dr. Joan Coley, director of admissions and financial aid of Western Maryland College; and Mr. Charles Glassick, president of Gettysburg College.

We will start with Mr. Iosue, and work our way down. Your prepared text is in the record, and you may proceed to add to it.

STATEMENT OF ROBERT V. IOSUE, PRESIDENT, YORK COLLEGE OF PENNSYLVANIA

Dr. ISOUE. I want to thank you for inviting me here, and I especially want to thank Charlie Glassick for inviting me to lunch before he has heard my testimony, which may be a little bit different.

I would like to begin by expressing a sense of belief that this country is not debating the question whether tax dollars should or should not be directed to our higher education system. We are in agreement that education is important, that it is in the best interest of this country, its people, and our leadership role in the world, and that it ought to receive funding.

Tax dollars have always been used to support colleges, from the very beginning when Harvard was assigned money from the ferry

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crossing the Charles; and William and Mary received duties levied by the State of Virginia on skins, furs, and even tobacco.

The fact is clear, you have always been at our side, You have always helped us, never more creatively than with the G.I. bill, and never more extensively than in the past 20 years.

I am not here to ask for increased assistance for higher education. Our Federal budget is wildly out of balance, prompting me to suggest that every segment must come under close scrutiny including the so-called untouchables.

I am not here to suggest that curtailing the abuses in financial aid to colleges is the answer, although it might help. I have a student who received almost $6,000 in Federal and State aid, all of it legal, to help cover a total tuition bill of only $3,100. That is a little like dressing Twiggy in Dolly Parton's clothes.

We all know about subsidized loan defaults, which we can do better at eliminating. But do not feel too bad about them. In 1806, only 6 out of a graduating class of 39 at Princeton paid their bills. And as of recent reports, Princeton is not doing too badly.

I am here to tell you that the higher education community have not been entirely fair as it encourages further Government growth in financial aid. Higher education continues to lay a burden on the Government, even as it refuses to analyze or even consider its profligate ways.

Like the medical profession, our college rates have gone up too fast and too far until we invite outside inspection, because we are unwilling to be critical of our errant financial behavior.

Our tuition rates have become absurd as we try to outdo each other, each one testing the public's gullibility that quality and cost must climb together hand in hand. We refuse to acknowledge that this march coincides too conveniently with the growth of Government giving.

The New York Times of June 2, 1985, reported what all of us in higher education already knew. The cost of going to college depends in part on what the market will bear; and that groups of colleges across the nation determine their fees by staying in step with their respective cartel.

The point is that we in higher education have not been a willing partner in keeping costs down. We have not made the difficult decisions, but rather we have argued for more funding in order to finance a system that can in some regards be called extravagant. The extravagance cuts across both the private and the public higher education sectors.

Every lament against Government cuts, and there have been hundreds from every agency representing higher education, has neglected to ask the question first raised in a 1983 Chronicle article—

"Have we done all that we can to economize; have we been prudent in order to keep tuition within reach of the general populace? Have we been an active partner with the family and government as we seek to educate over 11,000,000 students?

The answer is, "No."

We have received generous increases in financial aid, we have gone up in tuition beyond reason, and we have enlisted the support of families to criticize the Government when it attempts to bring the budget more closely into balance by looking our way. We suffer

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from being overfed and filled with fear, and willing to sacrifice our self reliance.

Studies are used to show how much minorities will suffer if Government assistance is not increased, and we all acknowledge the significant help Government aid has been to minorities, and we trust that it will continue. But we in education are responsible for the high cost of education. Have we done all we could do to keep costs within striking distance of minorities?

The Government has the responsibility of assisting minorities to get to the starting line; we have the responsibility of keeping the finishing line within reach. We can all do better in our responsibilities.

We in higher education have allowed our work force to become inflated, and they are the most costly part of our budget. We have vice presidents, and assistant vice presidents, and provosts, and deans, and a slew of backups, all them created for apparently good reasons. But the end result is an administrative bureaucracy which is costly and develops a life of its own. Private colleges do it, but public State systems seem to have mastered the art.

Only when colleges or universities get into financial trouble do they realize that they can live very well, and can continue to provide educational services to their students with far fewer administrators. We need to be financially efficient before the problem confronts us. More importantly, we need to be financially efficient as a demonstration that we are a full partner with the family and the Government in providing a reasonably priced education to all our people.

We all acknowledge the value of athletics on campus. Unfortunately, we have let the cost of intercollegiate athletics get out of hand. I am not talking about the hundred or so colleges which may actually make money, and are in essence the farms teams for the pros. I am talking about the rest of us, the 3,000 or so colleges where intecollegiate athletics should be a pleasant addition to college life, and help personal characteristics that we find agreeable and productive.

But we then build excessively impressive complexes to house our athletics, and not so incidentally to help in the recruitment of students, athletes, or otherwise; we hire coaches, assistant coaches, trainers, spotters, and others to lead the teams into games that could be played just as well with far fewer full- and part-time paid people.

We send our baseball teams to Florida for 2 weeks spring practice for reasons far removed from the purpose of the athletic program and no way connected to the educational mission, and usually having little effect on the quality of play.

For an overwhelming number of our 3,000 colleges, the qualities we expect athletics to impart to our students, and the quality of play we hope for, could be attained at considerably less cost. But like so much of what we do, supportive programs refuse to remain only supportive. If ever Churchill's dictum applies, it is with our athletic programs, "We shape our houses and thereafter they shape us."

The primary purpose of any college, large or small, is education. The largest budget item for a college is understandably its faculty.

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Among their duties is to teach 12 credits per semester, each semester running about 15 weeks. This teaching schedule permits them to conduct research at a variety of levels, to counsel students, and to redesign curriculums, among other things.

They also become eligible for research sabbaticals every 7 or so years. Because they do not punch a time clock, because much of their work is conducted at home or in various libraries, and because the major tools of their trade are ideas, they are sometimes thought to have an easy workload. They do not.

Generally speaking, they work hard and deserve our support. The schedule laid out for them has evolved over time and is reasonable. Certainly, it ought not be increased, if at all possible. The problem is that we have allowed it to decrease.

Either through negotiation, through contracts, through any of a number of ways, the teaching load is reduced. Sometimes it is for good reasons. But when the reasons pass on, the reduction stays. Sometimes it is for research, but too often the research is less than significant, and could have been accomplished within the standard workload.

After all, the standard faculty workload was designed to support research. All research is productive and ought to be encouraged. But the type of research that truly merits keeping faculty away from the classroom goes on in far fewer colleges than we would have you believe. As with athletics, we copy the big boys, even though our talents and standards vary greatly. We should be more efficient with our most costly resource.

In summary, I am not opposed to Federal aid or to State aid to our public and private colleges. We all serve in the public interest, and for the public good. Your aid in the past and your continued aid in the future is necessary, is substantial, and serves this country well. I am sure we all agree on that.

What I am opposed to is laying the burden for all the things we do on Federal and State government. We in higher education have to become a more willing partner in solving our financial problems. There are countless ways that we can economize without jeopardizing the quality of our educational programs and the quality of college life. We should work at least as hard to keep our costs down as we do to get more financial assistance from the Government. Thank you.

[The prepared statement of Robert Iosue follows:]

PREPARED STATEMENT OF ROBERT V. IOSUE, PRESIDENT, YORK COLLEGE OF PENNSYLVANIA

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Mr. FORD. Thank you. Go ahead, Mr. Banks.

STATEMENT OF SAMUEL BANKS, PRESIDENT, DICKINSON COLLEGE

Dr. BANKS. I shall be as equally as candid. You will not hear an extended mea culpa from me. If I agreed with Mr. Iosne, I would immediately have to ask with deep apologies for our past and present existence that you enact a sunset law for higher education.

Let me first commend the panel on its endurance and persistence. When my son was a student at Oxford University, he and the don there were talking one night on the unlikely discussion of where would you like to die if you had to die. And the don said, "Frankly, I would like to die in a meeting, because the transition from life to death would be imperceptible." [Laughter.]

My good friend, the late Ellsworth Binker, once described his success in working with the Panama treaty negotiations as the result of two sphincters, one that allowed him not to go to the bathroom, and the other to keep his mouth shut. I suggest that I

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will try to move with that persistence and at the same time with clarity and brevity.

Traditionally, the historic partnership between higher education and the Federal Government is perhaps one of the most precious things that I value in this country. I value it in Bill Goodling. He has been on both sides of the fence. This is why I am here this morning. I had to cancel three meetings in other States and one of my officer's vacation in order to be here.

I feel so strongly, so strongly about this, that I want to say to you that I think that the national resource, the most valuable, the most vulnerable national resource that we have is higher education. Intelligence is a rare and beautiful entity. We have not learned how to keep people alive a lot longer.

I was a med school professor for 15 years. We have not done very well at that. But one thing that we also have not done was the ability to actualize the intelligence of human beings. We are still learning. And it is the most crucial thing that we do as far as I am concerned.

The partnership between higher education and this country, its government, is the base for social justice, economic growth, civic and cultural enrichment, and national security. Therefore, you will not hear me saying basically that we should concentrate primarily on the abuses of higher education. They are there, and we should not sweep them under the carpet.

But there are also the opportunities that are there that are yet unmet. I am going to address three titles very briefly. Title IV which you have been dealing with ad nauseum, and at the same time a crucial matter for the country.

I believe that currently the forms of assistance that we have are essential, and they do need tuning. But there was a rule on the tennis circuit when I played in the national circuit. And that was if you have a winning game, do not change it, not essential, do not scrap it. If you have a losing game, scrap it.

The difference between old and new is not the same thing as the difference between bad and good. We tend to be a people who want to get rid of the old and start something new. If we have been giving money for something, it is time to stop it.

The key to it is the question is higher education an essential. I do not believe that we should make across-the-board cuts. We need to do something far more important. We do need to clean up the act. I agree with Iosue on that, although we disagree on the question of prognosis.

Centralized processing, for instance, in the Pell Grant administration has become a paper monster. To give you one example, at a neighboring institution to Dickinson, Susquehanna University, 16 different versions of the Pell grant student aid report has to be compiled for just one single applicant.

The reason is that we have one concentrated large agency doing the central processing not in touch with the students and not in touch with the colleges. And the transmission of accurate and highly complex information is exceedingly difficult given that system. It would also lead to cost saving efficiencies, if we were able to decentralize that type of thing.

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I am very much in favor of the NAICU proposal that Pell grants be based on 50 percent of tuition, up to a maximum award of $2,100, rather than $1,900 with an additional $2,100 in living expenses for the neediest of students as recommended by NAICU.

This would distinguish the so-called hard educational costs, tuition and relation expenses, from living expenses, and thereby provide the element of choice in the selection of a college. And I would urge that the committee and Congress consider that in the maximum amounts that are borrowed under the guaranteed student loans, that these be increased.

In 1976, the maximum amount that an undergraduate student could borrow each year under the GSL was increased to $2,500. Today that same amount almost ten years later remains the same, except the fact that the 5 percent origination fee brings the actual gift or the actual loan down to $2,325.

At Dickinson, we have done what I think that a college should do. We got ready early for the 1980's. We built reserves. We do have two flexible financing systems. One, the $7,000 plan, in which a student can or a parent can borrow $7,000 per year. And by the way, our default rate is under 6 percent on that. That $7,000 per year is at 1 percent over the floating prime.

The $2,500 plan allows the person $2,500 per year at 3 points under the commercial bank loan.

It can be done by the colleges, but not by all colleges. Some of us are more fortunate. And we are putting in our case 15 percent of the money coming in into that kind of redistribution.

It seems to me that two other titles need some quick comment. One of them is title VI, the international education programs. Again we are doing what I am talking about. Dickinson has six new overseas programs right now. Not because we want to engage in a fad regarding international studies, but because the actual ability of a young person in our country to be able to understand another society, another group of people, people across class and racial barriers is best done by dunking them, immersing them in other societies.

It is crucial that a med student, who is, say, a middle class Caucasian medical student, in a clinic be able to understand a minority person who is 60 years old coming from a deeply disadvantaged background. The best way that I know to do that is to take them out of the assumptions and out of the narrow ways of looking that are part of the usual campus.

It is crucial not that we give money for international studies, but that we given money to pervasively alter the curriculums, so that every course allows this. We have one-fourth of our faculty overseas right now this minute, because they are brushing up not their Shakespeare, but their languages. They have the old languages from graduate work, but they cannot use them.

Most students who graduate from college cannot speak much less read a French menu when they are forty. It can be done if we do it well. We are producing people who not only can speak the language overseas and at home, but can understand the assumptions of say the West Germans as they face the East Germans and the Russians right across the border an hour away.

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I was at the University of Bremen the other day listening to the people there. And our students can understand from their point of view what is going on without giving up our own values.

That critical yet empathic ability is crucial if we are to create leaders and not rebels.

I think that title VI needs to be substantiated and deepened in order to provide real internationalization of our curricula. We cannot afford not to do otherwise.

Title II. My colleague, Mr. Glassick, will be talking to you about libraries. Let me just say one other thing. Today as we talk about books, we cannot fail to talk about computers. Liberal arts are based on three forms of communication: pictures, words, and numbers. All three of these are being radically changed by computers on our campus.

We will either do it badly and scantily, or we will do it well. Through word processing, through graphics, through quantification, there is a revolution going on on our campus in terms of computerization. And I am not talking about giving a micro to a kid in order to get him there, and taking it out of their tuition in a subtle way later.

I am talking about the commitment of colleges to redo the liberal arts in the light of this machine that is changing people. We need help there, and it needs to be extended. We are doing that in our college. We are automating our catalog in the library right now. We are not asking for money for that, but there are a lot of schools that cannot do it.

Basically, what I am trying to say is this. I am going to be leaving in a few minutes to go work for the government. I am a panel at NEH. It is my job tomorrow, and the next day, and this evening to give away—no, to invest, to invest the money of the endowment. I was up until 2 this morning, and I will be up again tonight reading grant proposals. They are heartbreaking, they are heartbreaking. Because we have told these colleges that because they cannot get State and Federal funds, they are to be entrepreneurs. And every time that we try to be entrepreneurs, a loophole is closed, a problem is made greater. We are told to go out and raise it. We are trying.

Some like Dickinson, 212 years old, with adequate endowment are going to make it fine. But there are a lot that are not. And I was reading their grant proposals last night. Where are we going to be when the kids come back. We knew what Gerber Foods knew. It is true that we are going to have a shrinkage, and we are in the middle of it now, but that is not the end of it.

In 1994, to 1995, to 1996, there must be viable strong colleges and universities to see that new wave coming back. They cannot die slowly of malnutrition. We will do our part in terms of entrepreneurship, but we have got to have help.

[The prepared statement of Samuel Alston Banks follows:]

PREPARED STATEMENT OF SAMUEL ALSTON BANKS, PRESIDENT, DICKINSON COLLEGE

I. PARTNERSHIP BETWEEN GOVERNMENT AND HIGHER EDUCATION

Traditionally, this historic partnership has:

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Invested in the development of young minds and the nuturing of diverse talents which have led to enormous benefits for our entire society.

Advanced key national goals—social justice, economic growth, civic and cultural enrichment, national security.

Recommendation.—Debate regarding the partnership ought to focus far more strongly and regularly on the positives of higher education—how much education is worth to our citizenry, how it fosters national leadership and well-being—rather than almost exclusively on budget-cutting and abuses of federal aid programs.

II. REAUTHORIZATION OF THE HIGHER EDUCATION ACT

A. Recommendations re Title IV: Student Assistance—Pell Grants—

1. *Decentralize Pell Grant administration.*—Centralized processing has become "a paper monster," and is leading to increased frustration and non-participation by prospective Pell Grant recipients. In a reported case at one of Dickinson's neighboring institutions, Susquehanna University, 16 different versions of the Pell Grant student aid report (the SAR) had to be compiled for just one single applicant before all of the correct information could be generated! This is a particularly dreadful example of the woes of "centralization." However, our financial aid officers are constantly dealing with instances of this kind because of the complex difficulties of transmitting accurate information between the large and remote centralized processing agency and individual applicants for aid.

Decentralization would lead to cost-saving efficiencies, as set forth in detailed proposals which have been issued by the professional associations of student financial aid administrators. Moreover, decentralization would make possible Pell Grant decisions by means of personal and direct contact with applicants.

2. *Differentiate between "hard educational expenses"—tuition and related costs—and living expenses.*—Pell Grants should be based upon 50% of tuition up to a maximum award of $2,100, with an additional $2,100 in living expenses for the neediest of students, as recommended by the National Association of Independent Colleges and Universities (NAICU). This would distinguish the so-called "hard educational costs"—tuition and related expenses—from living expenses, and thereby provide the element of choice in the selection of a college to attend which those eligible for Pell Grant aid ought to have.

If the Pell Grant legislation included the above provision, it would recognize and acknowledge that a substantial cost differential exists between attendance at a privately supported college and attendance at a publicly supported college. The program would thus help make it more financially feasible for needy students to consider attending a higher cost college.

Without this provision, growing numbers of prospective and current undergraduates will have less choice—regardless of their intellectual ability—as to which kind of higher educational opportunity is most appropriate for them. Attendance at the higher cost colleges will increasingly become a privilege of the rich. The potentialities of others, whose financial resources are limited but whose minds and talents might best be sharpened within the kinds of undergraduate programs offered on private college campuses, will increasingly be lost to the nation and the world.

At Dickinson, where tuition will be $9,130 and living expenses another $3,000 in 1985–86, student aid made possible by Dickinson funds already amounts to a significant 15% of our annual budget. We don't want to have to begin to make "ability to pay" a criteria for admission to Dickinson. However, we are not able to enlarge our financial aid budget and still pay the salaries and cover the other costs required for maintaining the enriching, high quality undergraduate educational programs for which we are recognized and which benefit our society. Thus, it will be vitally important to Dickinson and the colleges similar to it in character and educational offerings that a realistic "differentiation of costs" be contained within the Pell Grant program.

Continuation of recommendations re Title IV: Student Assistance—Guaranteed Student Loans (GSLs)—

3. *Increase the maximum amounts which can be borrowed annually by a student.*—In 1976 the maximum amount that an undergraduate student could borrow each year under the Guaranteed Student Loan Program was increased to $2,500. Today that same amount remains as the GSL maximum—except that, because of the 5% "origination fee" which now exists, the borrower actually receives only $2,325 which can be applied toward the cost of attending college.

Over the nine years since 1976, however, the costs of attending college have increased dramatically, especially in the so-called "private sector." For example, a student attending Dickinson in 1976–77 paid a comprehensive fee of $5,250, which cov-

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ered the cost of tuition, room, board, and a few additional small charges. In 1985–86 the comparable fee at Dickinson will be $12,315.

The maximum annual amount of $2,500 which can be borrowed by undergraduates who qualify for GSLs today pays for less than 40% of the average annual cost of attending college. Some increase in that amount needs to be authorized.

4. *Offset the cost of expanding GSL Program benefits.*—The cost of increasing the maximum annual GSL loan amount could be offset in several ways, as suggested to your committee in June by the American Council on Education (ACE):

By increasing the amount of the interest rate paid by GSL recipients after they have completed their educational programs (perhaps by pegging the annual interest rate to the variable rate of some prominent item such as the T-bill).

By requiring participating banks to make "multiple disbursements" of GSLs through "co-payable" checks, thereby reducing the fradulent use of GSL funds.

By requiring all GSL applicants to undergo a needs test and limiting the amount of a loan to the amount of unmet need.[1]

5. *Revise definition of a financially independent student.*—The current definition of the so-called "financially independent student" has led to expensive abuses within the GSL program. Changes recommended by ACE in June deserve careful and thorough consideration.

B. Recommendations re Title VI: International Education Programs—

Distances between the peoples and the cultures of the world have been reduced dramatically by the ease of technology. We live in an age of instant communication and a single world economy. By virtue of the current conditions of life, parochialism is dead.

Most of us have no caught up. Our attitudes and interests continue too often to reflect those of other times and other circumstances, and these attitudes and interests are regularly and systematically transferred to the generations which follow us.

In preparation for functioning effectively within the world condition which now exists, present and future generations of undergraduates throughout the United States need to develop a clear, precise, and all-encompassing global perspective. A high priority at the colleges where they study must be the infusion of this global perspective throughout the full range of curricular offerings. Efforts to date to include an international dimension within undergraduate programs must be strengthened, and a wide range of international cross-cultural programs must be created on campuses where a few or none exist.

Strong support within Title VI of the Higher Education Act needs to be evident for:

The establishment and maintenance of new facility appointments in non-western and Third World studies.

Faculty and curriculum development opportunities which will enable those involved to bring to existing course offerings exciting new international dimensions.

Visiting professorships and lectureships which will supplement and give breadth to what college faculties themselves can offer.

Other programs and methods for an internationalization of college curricula across the nation.

C. Recommendations re Title II: College and Research Library Assistance and Library Training and Research—

As the computer revolution advanced, librarians began to recognize the potential impact on the instructional productivity of college students and faculty if the power and flexibility of computers could be put to use in the library research process. Automated library catalogs and other computerized library processes evolved. However, the specific research capabilities and needs of students on undergraduate campuses have remained largely unrecognized and unmet by the systems developed to date.

Automated catalog systems at undergraduate colleges ought to permit students, most of whom are relatively inexperienced with respect to scholarly research methodology, to start their research in any setting and with whatever information they know. The system for undergraduates must be easy to use and understand, flexible,

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[1] Through utilization of carefully accumulated reserve funds, Dickinson has pioneered in the development of financing options which are helping students no longer eligible for GSLs, and others as well, to more easily manage higher education costs. These financing options are described in the attached red and white leaflet under the title "Flexible Financing." Other colleges may lack the resources to establish such options, but the designation of federal funds for underwriting them could foster their creation. The recently established "PHEAA/HELP" program of the Pennsylvania Higher Education Assistance Agency is a fine example of a government-sponsored effort of this kind. It is described in the attached blue and white leaflet.

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consistent in language and computer responses, and actively helpful to all no matter where they might be in their research. It must offer special assistance to undergraduate students unfamiliar with particular scholars and scholarly works by providing them with a variety of means of searching by subject, by helping them to define the types of resources they should be using, and by encouraging them to refine or expand their searches thoughtfully as they proceed. It must also provide extra help to beginning researches through integration of "keyword" or natural language searching with the use of controlled vocabularies for authors' names and subjects. It must offer "online tutorials" which teach new users how to make the most of the system's features but leave them in control by allowing them to enter or exit the lessons at any point. An undergraduate library's automated catalog should be a widely available educational tool as well as a more efficient finding aid so that the total educational program at the college will benefit.

Title II of the Higher Education Act needs to contain legislation which strongly supports state-of-the-art automated catalog systems providing students and faculty at undergraduate institutions with more efficient, extensive, and creative means of access to a library's collections, and which advances the "computer literacy" of these groups at the same time.

Mr. FORD. Thank you. Mr. Hostetter.

STATEMENT OF D. RAY HOSTETTER, PRESIDENT, MESSIAH COLLEGE

Dr. HOSTETTER. Chairman Ford, Congressman Goodling, and members of the committee, it is a pleasure to be able to bear witness to some concerns that I personally have about the reauthorization of the Higher Education Act as well as give you a bit of information as to where Messiah College is with respect to some of these issues.

The debate on the issue of reauthorization and on the proposed cuts for higher education is a serious debate. I recognize that the Federal Government is looking for ways to eliminate or reduce the Federal deficit. I believe, however, that the proposals including the so-called White House compromise strike very deeply at the foundations of our American principle of equal access to higher education.

The state of student aid on our campus at Messiah College is an overall decline, and especially so in Pell grant participation by students. As a result there is a massive increase in borrowing by these students to meet college costs.

The foundation promised by Pell grants have steadily shifted to greater institutional responsibility. We at Messiah have been shoring up student aid from our own sources, as have other independent institutions of almost $2 billion in institutional aid provided by our colleges.

Messiah has channeled from its own budget funds an increase of almost four times to student aid in the last 5 academic years. In 1980 to 1981, Messiah's institutional funds allocated to student aid was $414,000 compared to $1,550,000 in direct funds from college sources in this year of 1985 to 1986.

But we as an institution are limited in what we can do. We need to be careful that we do not channel funds into student aid that are needed for other aspects of the collegiate programs such as faculty salaries, maintenance of facilities, and educational aids.

We particularly ask for your consideration of a Pell grant program embracing the principles endorsed by the NAICU membership at its annual meeting in 1985. The proposal which would insert tuition sensitivity into the basic grant formula and refocus

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dollars on low income students in all sectors of higher education would allow for a two-part calculation for Pell grants.

No. 1, an allowance up to $2,100 to meet half of tuition for all eligible students. Plus number two, an additional allowance of up to $2,100 for low income students, defined as those students with family incomes of up to 150 percent of the poverty index.

We recognize that there are serious problems before the Congress. We especially feel, however, that higher education should not receive a reduction in view of the fact that student aid has already been reduced by more than 15 percent in real terms by the Federal Government since 1980.

We understand that the proposal of the Federal Government is to put more burden on the States and on public higher education. But I believe that this is not sound and ask your consideration for the following reasons. No. 1, deep cuts in higher education will erode the United States' investment in its own future. Higher education is as important for the future of our country as is our concern about defense.

No. 2, it would encourage the segmenting of higher education into colleges for the wealthy and colleges for the poor. Therefore, colleges such as Messiah would have difficulty maintaining diverse student bodies. No. 3, there would be a shift of students to the public sector which would mean a loss to the independent sector which is a free enterprise element for education. But in the end, it would be more costly to all of us, since public higher education would need to expand and public support would need to carry a larger burden through taxation.

Again, I thank you for this opportunity to bring witness to our needs in the independent sector and at Messiah College in particular, and request your consideration as you look at reauthorization.

[The prepared statement of D. Ray Hostetter follows:]

PREPARED STATEMENT OF D. RAY HOSTETTER, PRESIDENT, MESSIAH COLLEGE, GRANTHAM, PA

As President of Messiah College, I appreciate this opportunity to add my observations to the issue of college support at this hearing on the reauthorization of the higher education act. I am also pleased to share with you an updated impact picture that the present proposals would have on Messiah College and its students.

The debate on this issue is very serious in view of the proposed deep cuts for higher education. I recognize that the federal government is looking for ways to eliminate or reduce the federal deficit. I believe, however, the proposals, including the so-called "White House Compromise," strike very deeply at the foundations of our American principle of equal access to higher education. The state of student aid on our campus at Messiah College is in overall decline and especially so in Pell Grant participation by students. As a result there is a massive increase in borrowing by these students to meet College costs. The "foundation" promised by Pell Grants has steadily shifted to greater institutional responsibility. We at Messiah have been "shoring up" student aid from our own sources as have other independent institutions—almost 2 billion dollars in institutional student aid provided by our colleges. Messiah has channelled from its own budget funds an increase of almost four times to student aid in five academic years. In 1980–1981, Messiah's institutional funds allocated to student aid was $414,000 compared to $1,550,000 in direct funds from College sources in this year of 1985–1986. But we as an institution are limited in what we can do. We need to be careful that we do not channel funds into student aid that are needed for other aspects of the College program such as faculty salaries, maintenance of facilities and educational aids.

We particularly ask for your consideration of a Pell grant program embracing the principles endorsed by the NAICU membership at its annual meeting in 1985. The proposal, which would insert tuition sensitivity into the basic grant formula and re-

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focus dollars on low-income students in all sectors of higher education, would allow for a two-part calculation for Pell grants: (1) an allowance up to $2,100, to meet half of tuition for all eligible students, plus (2) an additional allowance of up to $2,100 for low-income students (defined as those students with family incomes of up to 150 percent of the poverty index).

We recognize that there are serious problems before the Congress. We especially feel, however, that higher education should not receive a reduction in view of the fact that student aid has already been reduced by more than 15 percent in real terms by the federal governments since 1980. We understand that the proposal of the federal government is to put more burden on the states and on public higher education, but I believe this not to be sound and ask your consideration for the following reasons: (1) deep cuts in higher education will erode the United States' investment in its own future—higher education is as important for the future of our country as is our concern about defense; (2) it would encourage the segmenting of higher education into colleges for the wealthy and colleges for the poor—therefore, colleges such as Messiah would have difficulty maintaining diverse student bodies; (3) there would be a shift of students to the public sector which would mean a loss to the independent sector which is a "free enterprise" element for education—but in the end, would be more costly to all of us since public higher education would need to expand and public support would need to carry a larger burden through taxation.

Again, I thank you for the opportunity to bring witness to our needs in the independent sector of higher education and at Messiah College in particular. I sincerely request your consideration that higher education grants from the federal sector not be reduced and particularly ask that the Pell Grants program embracing the principles endorsed by the NAICU membership at its annual 1985 meeting be approved.

Mr. FORD. Thank you. Mr. Glassick.

STATEMENT OF CHARLES GLASSICK, PRESIDENT, GETTYSBURG COLLEGE

Dr. GLASSICK. Chairman Ford, I am Charles Glassick, president of Gettysburg College. I welcomed all of you earlier, and now I wish to indicate that we are very pleased and proud to host the subcommittee hearing. We hope that you find Gettysburg convenient and comfortable, and perhaps we can be of service again to you in the future.

I will in my testimony, of course, address the Higher Education Act, but first I would just like to say a few words about Gettysburg College. We are a private four year church related liberal arts institution. We are a selective institution enrolling approximately 1,800 students. The vast majority of these students come from the Eastern United States.

Our admission of these students to our campus is on the basis of the credentials which they submit in the application process, that is, our admissions process is need blind. And therefore, we are committed like you to creating access for students of all incomes.

And I might say in response to comments made earlier—I better go on with that, and I will come back to that. Because of commitment to access of students of all incomes, we have budgeted over $3 million in institutional financial aid for next year. So you can see that this is a high priority with us. And we believe that we share with the Federal Government the responsibility to provide access and choice to prospective students regardless of financial position.

In response to comments made earlier, I am a firm believer in access and choice. Having the funds go to the students, the Pell Grants, the guaranteed student loans, so that the student may indeed enter the free enterprise market. And if they find us overpriced, they can go somewhere else, and choose us on the basis of our quality if our price matches that quality.

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In looking at this commitment to access and choice, I turn to the Higher Education Act, and say that Gettysburg College supports the basic principles underlying the Pell Grant and the guaranteed student loan programs. We support the concept of aid targeted to low income students, and we strongly endorse the principle that these students should have access to any institution, public or private, where they are qualified to matriculate.

Now that is an important point for us. We believe that the loan income student should have the same opportunities in higher education that the more wealthy college enjoys. And that is why we support the proposal to make the Pell grants tuition sensitive, as we are part of the NAICU testimony.

Because my colleagues have spoken to Pell grants and GSL's, and because I know that you have heard 3 days of testimony on Pell grants and several days on the GSL's, I am going to shift my emphasis to a different segment of financial aid. I want to reemphasize, however, that this is not to be interpreted as any lack of commitment to the fact that Pell Grants, we believe, should be made tuition sensitive.

I would like to focus for a few moments on those families whose need fall outside the criteria set either for Pell Grants or even in many cases guaranteed student loans. I speak much in the same vein as Ken Reeher spoke earlier.

I am talking about families who are committed to securing a college education for their children. I am talking about families who are prepared to make personal sacrifices for that education, but they have arranged their financial assets in a way that they simply lack the liquidity to do that.

They are the kind of people who, for instance, have substantial equity in their homes, who are the kind of people who have been prudent in their planning for retirement. And because of this, it precludes their ability to fund their student's college tuition.

They are prepared, these families, the parents, to assume debts to pay for the kind of education that their children deserve. For these parents, the funding of the college tuition is really a question of cash flow. The choice of where their son or daughter goes to college may depend upon their access to borrowed capital or to credit, as Mr. Reeher said because their assets are simply not liquid.

Now I will not go into great detail on the proposals which would help these families, because I know that you have heard testimony from David Breneman, the president of Kalamazoo College on these points. I just want to in the few moments that I have remaining reinforce his testimony.

I urge that you reauthorize the PLUS program, and that it be continued with the structural alterations that he asked for that would make the program more attractive to lenders and borrowers. And I personally would like to see a tax incentive made available to parents who wish to save for their child's higher education.

The IRA's are an excellent example of how this can be achieved. And, in fact, a very simple way to go about it then would be to allow parents to make withdrawals from their IRA's for the purpose of educational expenditures without any tax penalty.

Any one of Breneman's recommendations would be of considerable benefit to the parents seeking to cover their higher education

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costs. And I would say that each of them would create a considerable cash flow in higher education at an exceptionally small investment by the Federal Government. So I encourage them for your attention.

My time does not permit me to go into the other aspects that are a part of the testimony that I have submitted. I just will say a few things about support of the libraries, since President Banks indicated that that would be the case.

In my view, I support the continued authorization of the library acquisitions program for postsecondary education. But in my view, this ought not be an entitlement program, but should be closely aligned to the academic purposes and needs of the institutions, and the proposals should be evaluated, accordingly.

In short, the library grants which are made to institutions should then be made on the basis of the enrichment of their library program, and the total scope of it including computers as President Banks indicated. I provide more detail on that subject and on the academic facilities title in my written testimony.

I realize that I have only skimmed the surface of many complex subjects, and I would be happy to engage in further conversation. I thank you for the opportunity.

[The prepared statement of Dr. Charles E. Glassick follows:]

PREPARED STATEMENT OF DR. CHARLES E. GLASSICK, PRESIDENT, GETTYSBURG COLLEGE

Chairman Ford, Congressman Goodling, Members of the Subcommittee, I am Charles Glassick, President of Gettysburg College, I would like to welcome all of you to Gettysburg College and also to extend a welcome to Pennsylvania Secretary of Education Smith, Representative Cowell, my fellow college presidents and others who have come to testify. I also want to thank the members of the Subcommittee on Postsecondary Education for choosing Gettysburg College as the location for this hearing. We are pleased to host the reauthorization hearing of the most important piece of higher education legislation currently on the books.

I will, in the course of my testimony, address the issues related to the Higher Education Act but first I would like to give you a brief description of Gettysburg College and its place in higher education.

Gettysburg College is an undergraduate, four-year, private, church-related liberal arts institution. We are a selective institution, building a freshman class of 545 students from a pool of nearly 3,000 applicants. We enroll approximately 1900 students who come primarily from Eastern United States. Our tuition and fees are $8,574 for the 1985-86 academic year.

Gettysburg College is not now and does not wish to become heavily dependent upon federal assistance of any kind. Less than 3% of our revenues come from governmental—federal, state, local—funds and we are dependent upon tuition and fees for 75-80% of our overall revenue. Over the past four years we have more than doubled the institutional funds set aside for student financial aid. Next year we have budgeted almost $3,000,000, or 13½% of our overall budget, for student financial aid. With these funds we will aid one third of our student body. For us, student aid is a very high institutional priority. We would like to be able to aid more of our students, but are unable to do so without affecting the academic resources and program of the College. However, that is not to say that our students do not benefit from federal aid—41% receive Guaranteed Student Loans and another 21% receive some other form of federal aid. We believe that the Colleges and the federal government have a shared responsibility to provide access and choice to prospective college students and we have tried very hard to maintain a reasonable and healthy balance of institutional and federal assistance.

Now, to turn to the Higher Education Act, Gettysburg College supports the basic principles underlying the Pell Grant and Guaranteed Student Loan programs. We support the concept that aid should be target to low income students. We strongly endorse the principle that these students have access to ANY institution, public or private, where they are qualified to matriculate. That is an important point for us. We believe that the low income student should have the same opportunities in

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higher education that the more wealthy student enjoys. That is why we support the proposals to make Pell Grants more tuition sensitive, such as the proposal you have heard from the representatives of NAICU. We also support the proposal to increase the Guaranteed Student Loan limits for those students in the last two years of their undergraduate education, a position also advocated by NAICU. Because you have recently heard three days of testimony on the Pell Grant program and several days of testimony on the Guaranteed Student Loan program, and because I know that these programs are important to my colleagues here today who will speak about them, I would like to focus for a few moments on those students whose needs fall outside the criteria set for either Pell Grants or even in many cases Guaranteed Student Loans. I refer to students from families with two or more children in college at the same time, families whose support of elderly dependent parents or whose own prudent planning for retirement, precludes their ability to full fund their children's college tuition. These are the people who attend Gettysburg College and many other small colleges like Gettysburg College. Many of these kinds of people live in the 19th district of Pennsylvania.

These families are prepared to make personal sacrifices for their children's college education. They simply lack the liquidity. They are prepared to assume debts to pay for the kind of education their children deserve. For them, the funding of college tuition is really a question of cash-flow. Their choice of where their son or daughter goes to college may depend upon their access to borrowed capital because their assets are not liquid. They are the kind of people who have substantial equity in their homes. Many even have a small place on the river or at the lake and are prepared to assume regular monthly payments in order to cover the cost of their children's education.

I will not go into a great deal of detail on proposals which would enhance the cash-flow situation many parents find themselves in because I know you have already heard the testimony of Kalmazoo College's president, David Breneman. I merely want to reinforce his testimony and urge you to look very carefully at the proposals he made testifying on behalf of NAICU:

(1) that the PLUS program be continued with certain structural alterations that would make the program more attractive to lenders and borrowers.

(2) that a federally guaranteed, unsubsidized student loan program be initiated to complement the GSL program. This "loan of last resort" would be available to students who are unable to meet their needs for loan capital under other federal loan programs, or who may need to borrow all or some of their expected contribution.

(3) that a tax incentive be made available to parents saving for their child's higher education, through Individual Retirement Accounts, or in short, to allow parents to make withdrawals from IRA's for the purpose of educational expenditures without penalty.

Any one of Breneman's recommendations would be of considerable benefit to parents and students seeking to cover higher education costs. Each would operate with relatively marginal expense to the federal government. Of course, we would also endorse proposals to allow students to consolidate their loans taken under different programs with different terms into a single repayment plan, with options for early or extended repayment on a graduated or income-related schedule.

Now I wish to use my time remaining to turn very briefly to some of the other titles which are a part of the Higher Education Act. During the past eight years Gettysburg College has embarked on a major renovation of our academic facilities, expending $10,000,000 on facility improvements, much of it with internal funds. This includes building of a new library renovation of art and theatre facilities, and complete renovation of our chemistry building. These renovations were absolutely critical to the vitality of our academic program and, in the case of the chemistry facility, to the health and safety of our students. From our experience on this campus two points are clear: that academic facilities are in need of renovation and repair, and that the academic programs are given new strength and vitality when housed in expanded and updated facilities. I urge the subcommittee to consider expanding the purposes and funding of institutional grant and loan programs within the Higher Education Act to address facilities, equipment and computing needs of undergraduate education. I need to be careful on this point. I am not advocating that the federal government begin a program of "bailing out" all institutions that are in financial difficulty. This could become a bottomless pit into which billions of dollars could be poured. I am, in fact, advocating grants and loans which would be made on the basis of merit within the context and mission and purpose of each institution and would require the recipient institution to make a sizeable matching commitment—these funds could possibly be awarded on the basis of peer review.

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Likewise, Gettysburg College is in support of continued authorization of the program for library acquisitions for postsecondary institutions. Again, my view is that this program ought not to be an "entitlement" for all institutions, but should be more closely tied to the academic purposes and needs of the institution and proposals should be evaluated accordingly. In view of the government's recent report on the status of elementary and secondary education, A NATION AT RISK, and its harsh evaluation of the preparation given to our nation's teachers, it seems reasonable to suggest a linkage between programs to improve library holdings and academic facilities and programs to upgrade teacher training in postsecondary institutions. What I am advocating is that the federal government send a message to postsecondary institutions initiating a strengthened commitment to excellence in teacher training and preparation. The NIE report began the process by calling our attentin to this significant national problem; I propose that the members of this subcommittee give continued leadership to it by offering federal assistance to those institutions wishing to upgrade and revitalize their teacher education programs, perhaps giving priority to library enrichment in the teacher education area.

Mr. Chairman, I realize I have only skimmed the surface of many complex and detailed subjects, and I would be happy to engage in more detailed discussion and analysis of any of them. I thank you for the opportunity to testify and to present Gettysburg College's position on several important issues facing you in the context of the reauthorization of the Higher Education Act.

Mr. FORD. Thank you. Dr. Palmer.

STATEMENT OF MELVIN D. PALMER, VICE PRESIDENT AND DEAN OF ACADEMIC AFFAIRS, WESTERN MARYLAND COLLEGE

Dr. PALMER. Distinguished Members of Congress, as outsiders today, we Westerr Maryland College particularly appreciates this opportunity and thanks everybody concerned.

We are an independent liberal arts college established in 1867 and located in Westminister, Maryland. We have a chapter of Phi Beta Kappa, and have a good record of productivity. Our primary function as a liberal arts college has been to educate people for leadership and for service. We like other small liberal arts colleges like ourselves are worth preserving.

As an independent liberal arts college, our written testimony carries that slant. But these remarks should not be taken as adversarial to our sister institutions in the public sector. Indeed, one of the richest and most distinctive features of American higher education is its diversity, and that is one of the main thems of our written testimony, as you will see.

Other themes, we argue, are as follows. One, that this diversity is endangered. Two, that this diversity is worth preserving. Three, that Federal aid to education is vital to preserving this diversity. And we appreciate the fact that Federal aid to education has always been a strongly bipartisan priority in the United States.

With particular reference to Western Maryland College and most small liberal arts colleges, we are already having to do more and more with less and less. The causes are numerous with high costs of everything from books to fuel oil. The need to keep at least modestly supplied with new technologies. The increased demand for student services. A bad demographic outlook for the next decade, and so on.

We fear that a lessening of student aid will drive the needy one way and the well to do another way, thus creating not only a threat to diversity in general in higher education, but to the diversity of the faces on individual campuses in particular, as you have heard some of my colleagues here comment upon.

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We also fear that a combination of factors will make it extremely unlikely if not impossible for us to mount the kind of continuous fundraising campaigns we need to mount in the decade ahead. We project such a major campaign pretty soon to include library enhancement in size of collection, technology, and size of building. We are not very competitive, and we will be out of shelf space by the end of this decade.

In addition, we plan renovation of antiquated science and art facilities. These needs are spoken to in titles II, III, and VII. We support the American Council on Education's recommendations on these titles, and I am sure that you are aware of those recommendations.

In addition, to preserve our integrity and usefulness in the field of teacher training, one our strong points at Western Maryland College. We have a strong liberal arts based teacher based training program. In view of enhancing that, we support in particular the ACE recommendations for Title V.

One final point, please. We fear that other proposals of the present Administration in Washington could indirectly create situations detrimental to aid for education. Specifically, it might become less advantageous for tax purposes for people in corporations to make charitable contributions to education. This is a kind of double jeopardy.

Also, if deductions for State and local taxes are eliminated, States could compensate in such ways that would lessen their support for education, which makes perhaps a triple jeopardy.

I want to thank you for hearing me, and I would like to share my comments and turn now to our director of financial aid, who will comment specifically on title IV. Thank you.

[The prepared statement of Dr. Melvin D. Palmer follows:]

PREPARED STATEMENT OF DR. MELVIN D. FALMER, VICE PRESIDENT, DEAN OF ACADEMIC AFFAIRS, WESTERN MARYLAND COLLEGE, WESTMINISTER, MD

Distinguished Members of Congress.

Western Maryland College appreciates this opportunity to be here today. We are an independent, coeducational, Phi Beta Kappa, liberal arts college established in 1867 and located in Westminister, Maryland. Because we are a private liberal arts college, our remarks will carry that slant, but our remarks are not to be taken as adversarial toward our sister institutions in the public sector. In fact, we stress the value of diversity.

The testimony will be presented by myself, Melvin D. Palmer, Vice President and Dean of Academic Affairs, and by Dr. Joan Develin Coley, Director of Admissions and Financial Aid. Our President, Robert H. Chambers, regrets not being here today, but he made commitments some months ago and is not in the area.

Western Maryland College has a history of fiscal responsibility. It has never ended a year in the red, yet the red ink looms closer. It has a history of cost-effective education; our students' tuition pays for over 70% of what it cost to educate and care for them, yet hard times are upon us: we face a decade of grim enrollment prospects, in the last few years, costs have risen drastically for everything from library books to heating oil; new demands are being placed on us to keep at least modestly supplied with new technologies; demands are being placed on us to supply more and more students services. Because of these and other factors, we are forced to do more and more with less and less.

We are becoming increasingly vulnerable, and behind that vulnerability lies a threat to the nation. A major strength and distinctive feature of American higher education has been its diversity. A related value for at least two decades has been the fact that able students, regardless of means, have been able to exercise rather wide choice in their selection of colleges and universities, thanks to federal support for higher education.

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As economies become increasingly strained, however, the rich diversity of colleges and universities in America is threatened Further, we hear that a pinched economy and cutbacks in student aid may make liberal arts colleges enclaves for the well-to-do. If that is true, then the diversity of students at liberal arts colleges will be threatened. In short, we fear not only that the economic crunch will worsen an already bad demographic situation for us by sending students elsewhere, but also that the faces in our crowd will begin to look too much alike.

The country needs schools like Western Maryland College. As little known as we are, a recent study found Western Maryland College to be in the top 50 institutions in the U.S. as to the percentage of its graduates from 1951 to 1980 who earned Ph.D.'s in the Life Sciences. This study found that liberal arts colleges, though they educate far fewer students than public institutions, constitute half of the top 50 institutions in the percentage of their graduates who earned Ph.D.'s in all fields. In a Midwestern study, it was concluded that "the small liberal arts colleges were more productive" in this respect than the leading universities of the region. (See Appendix A.) By virtue of their focusing on the liberal arts, such colleges have traditionally been viewed as especially valuable for stressing problem-solving and values, and at training students for leadership and service. Surely, for its own security and welfare, the country needs to preserve the diversity that includes schools like Western Maryland College; and to do so, it must not only continue but enhance federal support for higher education.

Our testimony today focuses on Title IV—Student Aid—as vitally important for our institution, but kindly let me comment briefly on some of the categorial programs. Title III aid, aid to college libraries, the renovation of academic facilities, and teacher preparation. In view of the fact that institutions have been encouraged to rely on federal support in these and other areas, they are particularly vulnerable, in the words of one expert, "to the uncertainties and shifting priorities of federal funding—uncertainties magnified by the continuing weakness of the economy. The colleges and universities are therefore in double jeopardy at a time when staggering educational accounts are about to come due: Repairs will be required on laboratories, dormitories, and other academic facilities, estimated to exceed $50 billion . . . ." (See endnote for source of quotations.)

In addition, consider these statistics: Between 1968 and 1983 federal support for college libraries dropped from $37 million to $3 million, and this in spite of increases of 261% in the cost of books and 418% in the cost of periodical subscriptions.

Western Maryland College already has plans for a major fund raising campaign to include library enhancement (in size of collection and size of building—We will be out of shelf space by the end of this decade). The campaign will also seek funds to renovate antiquated science and art facilities. It will be our largest campaign ever—yet something that is worrying us very much is that other proposals of the current administration in Washington could make fund raising even more difficult now than it has been in the past—and at a time when continuous fund-raising campaigns will be more and more necessary in academe. Specifically, it may become less advantageous for people and corporations to make charitable contributions. In addition, it is possible that the proposal to eliminate state and local tax deductions for income tax filing, if passed, could cause states to compensate by lowering taxes, which in turn could mean decreased state aid for education. Because of the possibility of such linkage or ripple effects, the double jeopardy mentioned above will become triple jeopardy. We are worried.

In the field of teacher education, Western Mayland College has always been a leader. This year it won an award as the most innovative program in teacher education in the state. Also this year, the college's five graduate education programs received full, five-year approval by the state—a record that is extremely rare if not unique. On another level of teaching, shrinking opportunities for graduate education and poor prospects for careers in the Arts and Humanities make it extremely hard to attract able young people into careers in academe. The point here is that Western Maryland has proved itself to be well-qualified to prepare young people for careers in education. These facts should be seen in the light of such studies as A Nation at Risk, which finds our educational establishment in general to be mediocre and a threat to national security. They should also be seen in the light of the fact that the number of children in the early grades has started to rise again, causing forecasts of major teacher shortages. Certainly Western Maryland College stands ready to meet these new challenges, yet the programs that assisted teacher training were cut in 1981, and the number of federally funded graduate fellowships dropped from 51,000 in 1968 to about 9,000 in 1982.

And now we turn to student aid, our primary concern. We appreciate the strong bipartisan support that student aid has received in the past. From the Eisenhower

administration's National Defense Education Act of 1958 to the Higher Education Act of 1965, and down to our own decade, support has been uniformly bipartisan. For example, in 1972 President Nixon said, "No qualified student who wants to go to college should be barred by lack of money. That has long been a great American goal . . . ." President Carter later voiced the same goal.

We at Western Maryland College accept and urge your acceptance of the conclusions of the National Commission on Student Financial Aid, which in 1983 endorsed not just the continuation of federal student aid but higher funding levels. We also support the April 30, 1985 recommendations of the American Council on Education and emphasize this philosophical foundation (Statement of Purpose, Section 2(b)): "It is in the national interest that all students of ability and promise . . . have access to and reasonable choice of postsecondary educational opportunities appropriate to their talents and interests, and that no such students be denied such opportunities because of financial need."

For details on the status of student aid at Western Maryland College, I turn to Dr. Joan Coley. (Note: The source of most of the quotations and much of the data in this first section is Charles B. Saunders' "Reshaping Federal Aid to Higher Education," an essay published in the Proceedings of the Academy of Political Science in 1983. I append a copy of the essay as Appendix C and urge all who are interested in the subject to read it. The collection it appers in—The Crisis in Higher Education—contains other essays of high quality as well.)

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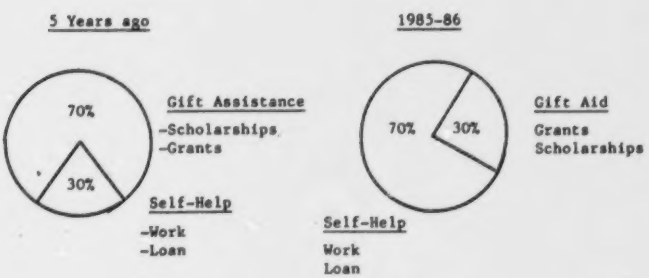
TITLE IV TESTIMONY

Western Maryland College is typical of other small, private liberal arts colleges. Approximately 70% of our students receive need-based financial aid, with 14% of these students at the maximum assistance level. Our students work hard for the type of education we have to offer, and the average loan recipient walks away from Western Maryland College carrying a loan debt of approximately $10,000 to $12,000 before he or she even enters the workforce or goes onto graduate school. Yet, our students pay back these debts in consistently strong, even remarkable fashion, with our default rate being under 6%.

Our problems at a college like Western Maryland are multi-faceted. One major concern is the inadequacy of grant assistance. National statistics indicate that as late as 1978, loans constituted 15% of a financial aid package; now with the drop in grant assistance the loan percentage has skyrocketed to above 40%. At Western Maryland a hefty 70% of a student's package is self-help, that is, a combination of loans and work study.



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A second problem is the steady decrease in the percentage of federal campus-based funds at Western Maryland. Only five years ago campus-based federal funds helped defray an average of 12% of the cost of an education at Western Maryland. Today 10% more students are eligible for the few additional federal dollars, and now those funds cover only 7% of the cost of attendance.

CAMPUS-BASED FUNDS AT WESTERN MARYLAND COLLEGE

	83-84	82-83	81-82	80-81	79-80
SEOG I	47,100	47,233	47,500	50,675	48,718
SEOG C	47,100	47,233	47,500	40,500	47,475
NDSL	192,154	192,868	184,165	191,644	197,735
CWS	143,063	165,886	138,676	142,231	107,749
Eligible Applicants	671	666	692	666	602
Cost of Attendance	$9,000	$8,255	$7,275	$6,475	$5,600
TOTAL COST	$6,039,000	$5,497,830	$5,034,300	$4,495,500	$3,371,200
Percentage of College Cost	7%	8%	8%	9%	12%

Failure to increase the grant assistance, or worse still enacting legislation to put a cap on federal dollars, would have a devastating effect on colleges like Western Maryland. A report prepared for Senator Sarbanes in May of this year estimated that over half of the financial aid recipients would be unable to attend Western Maryland if a cap were placed on funds (see appendix B). Similarly, a cut in SEOG, NDSL, GSL, and Pell money such as the one suggested early this year, would mean a decrease of 62% of available funds. Cutting some Pell and all SEOG money as was suggested in February would be even more cataclysmic.

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	We'll Lose	We Have
SEOG I&C	$121,722	$ 121,722
NDSL	45,000	236,885
GSL	750,000	1,250,000
Pell	50,000	175,000
	$966,722	$1,783,607

62% Loss

Finally, the impact of not increasing grant assistance is clear in looking at two actual cases of students currently receiving financial assistance at Western Maryland.

STUDENT A

Family with 2 children in college
Total family income $20,446
Family contribution for each student $1,006

$11,155	Cost of education at WMC
1,006	Family contribution
$10,149	Need

Student will borrow $3,500
Work Study 1,000
Pell Grant 950
$5,450 Remaining to be made up through WMC funds

STUDENT B

Family of 4 with 1 in school
Father is a corrections officer; mother is a secretary
Combined income is $30,206

$11,155	Cost of education
3,078	Family contribution
$ 8,077	Need

In this case, as in the previous case, an $8,000 cap would mean that the family would need to contribute an additional $3,000 since the $8,000 cap is based on the total cost of education. The family contribution would remain $3,078, but the additional $3,155 would need to be made up by the family too. Obviously, a $6,133 contribution from a $30,206 income is quite substantial.

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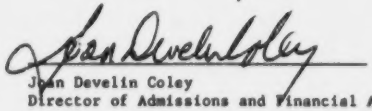
Students at Western Maryland College are willing to work at jobs and borrow money in order to get an education, but there is a limit to what they can reasonably be expected to do. Small liberal arts colleges are the most numerous type of higher education institutions in America. They add richness and texture to the total fabric of higher education. In order to maintain this richness and diversity which is so characteristically American, we need not only to reauthorize the Higher Education Act of 1965, but also to increase the grant portion of Title IV in particular.

Respectfully submitted,



Joan Develin Coley
Director of Admissions and Financial Aid

STATEMENT OF JOAN D. COLEY, DIRECTOR OF ADMISSIONS AND FINANCIAL AID, WESTERN MARYLAND COLLEGE

Dr. COLEY. Thank you, Dean Palmer.

As director of admissions and financial aid at Western Maryland College, I am here today to speak specifically not only to ask that Congress reauthorize the Higher Education Act, but to speak specifically about our need to have the grant portion of the title IV monies increased.

Currently, at Western Maryland College, 70 percent of our students are receiving some type of need based financial aid; 14 percent of those students are at the maximum assistance level. The average loan recipient walks away from Western Maryland College with a loan debt of between $10,000 and $12,000. That is before he or she even enters the work force or goes on to graduate school. Some students leave with a lot larger loan than that.

I am sure that you are all well-aware of the national statistics that indicate that as recently as 1978, about 15 percent of a financial aid package was made up of loan assistance. That percentage figure now exceeds 40 percent.

At Western Maryland College, a hefty 70 percent of a student's financial aid package is typically made up of what we call self-help. That is to say loan and college work study kinds of monies.

I think that it is clear that students at Western Maryland and elsewhere are willing to work. They are willing to borrow money to go to college, but there is a limit to what I think we can expect students to reasonably assume in terms of debt for their college education.

I am not reading my testimony, because I assume that all of you can do that, and I have a number of cases contained in the written

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testimony which bear evidence of the fact that the financial hardships are there for students attending colleges like ours.

I, therefore, urge that the Congress increase the grant portion of title IV in order to preserve the kind of diversity that many of the members of this panel have indicated is given by a college like Western Maryland College, a small liberal arts institution.

And I thank you for allowing us to be here today to give that testimony.

Mr. FORD. Thank you.

Mr. Isoue, in your testimony you said, "I am not here to suggest that curtailing the abuses in financial aid to colleges is the answer, although it might help," leading me to believe that the following sentence is what you consider to be an example of an abuse:

> I have a student who has received almost $6,000 in Federal and State aid all of it legal to help cover a total tuition bill of only $3100. That is like dressing Twiggy in Dolly Parton's clothes.

I am not quite sure what that means.

Dr. IOSUE. A little excess remnant.

Mr. FORD. I believe it assumes one's knowledge of the difference in their anatomical gifts. But I took a quick look here, and the current cost for a student at your school is about $6,170.

Dr. IOSUE. The current cost is $5,300 for room and board, tuition, and fees. A commuter can go to our college for $3,100. And the gentleman in question was a commuter, and he received over $6,100.

Mr. FORD. What was the nature of the aid that you felt was abused, and how did that happen?

Dr. IOSUE. Well, speaking generally, I just think that the amount of aid for students like that is excessive. If the college bill came to $3,100 and the amount of aid that a student receives was in the neighborhood of $6,000, it just seems excessive to me.

Mr. FORD. Well, for 1984 to 1985, what we have for your college, it showed tuition and fees of $3,112.

Dr. IOSUE. Right.

Mr. FORD. Books and supplies, $300. Room and board, $2,018, plus $600 miscellaneous costs. Transportation, you have a very small amount allocated for that, $100. Other expenses, $640. So you figure a student budget of $6,170. If it costs a student $6,170 for bare essentials living at your campus, why would you believe that somebody commuting to your campus could exist on something less than that?

Dr. IOSUE. Again——

Mr. FORD. Do you not feed your students as cheaply as they could eat on the outside?

Dr. IOSUE. Probably cheaper, because we do it by the numbers. I know that I have been told that we feed on campus cheaper than they can eat off-campus.

Mr. FORD. Would you be kind enough to ask your student aid director without giving us the student's name, of course, to give us an analysis of what is wrong with the system that produces what you describe as a disproportionate amount of money for the student's need.

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I find it difficult even if they were a resident student to see how they would qualify for that money. But you did say that it was a combination of State and local.

Dr. IOSUE. And loans. The guaranteed student loan was part of that package.

Mr. FORD. They were below the income level required in the needs analysis for their loan?

Dr. IOSUE. Probably. They would have to be, they would have to be.

Mr. FORD. Would you ask your student aid office to give us a profile on this student and his aid package, so that we can figure out what it is that we are doing wrong.

Dr. IOSUE. Well, it gets into a philosophical difference, Mr. Chairman.

Mr. FORD. Well, I am not sure that there is a philosophical difference. I want to find out what the factual difference is, and then maybe we have to make, from a philsophical point of view, an evaluation of that fact. But at this point, you gave me only half of the facts. You gave me the amount of money that the student got and the amount of tuition.

Dr. IOSUE. Right.

Mr. FORD. That is not the picture. Your student aid officer will give us what they are computing at that school to be the student's need to stay alive, exist, and be clothed so that they are not arrested while attending school.

Dr. IOSUE. Well, I have a complete breakdown of the high and the low in our school, and would be happy to give you that. And it covers a variety of cases. I asked them to make it up to cover just about every conceivable case. And it ranges from a high of $13,525 for a married commuter to a low of $4,700 for a commuter of a certain type. And this person is somewhere in between.

But the fact remains that total tuition, room and board, and fees in our school is only $5,300. This is my point. That a person can receive in excess of the price of going to college, because the formula includes a host of other things, such as transportation and so on. But that is not the point of our testimony, sir, if you want to focus in on that.

I am obviously not opposed to Federal aid, and I am hoping very much so that you do not cut it. What I am telling you is that there is a presumption that colleges are run efficiently, and the money is given on this basis. But your colleagues have learned to question defense spending, because it is not as efficient as some might have thought. And they have questioned the medical profession where large amounts of tax dollars are given, and have found out that maybe the medical profession can tighten up.

What I am here to suggest is that your message ought to be to colleges that maybe they can run a little more prudently and form a true partnership among government, higher education, and the family. This is the point of my testimony. And I bring in this example by saying we can pick on abuses, but I feel as Dr. Banks did that the testimony was not addressed to abuses.

Mr. FORD. I do not want to pick on you, but someone forwarded me earlier this year an article from the Baltimore Sun that you wrote, and something in it caught my eye. You said many of the

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things that you said in your testimony here today. And then you said:

> Government has an obligation to keep its funding reasonable, and one way would be to give aid based on need, not based on the cost of college. A good example to follow is the old GI Bill.

By the old GI bill, you mean the one that I went to school on in the late 1940's?

Dr. IOSUE. Yes.

Mr. FORD. Have you had any experience with that program?

Dr. IOSUE. Personally?

Mr. FORD. Yes.

Dr. IOSUE. Yes, I received it, also.

Mr. FORD. You do recall then that when you went to school on the old GI Bill, that you never asked how much it cost, you just signed your C number, and they sent a bill to the Government, to the Veterans' Administration, for whatever the college thought was appropriate, and it was paid. And the student never saw any money, never filled out a form, nothing. You just gave them your C number.

Dr. IOSUE Well, then I am learning something. My GI Bill money was sent to me.

Mr. FORD. I went to what for those days was an expensive private law school originally started by the Methodists, and did not really know how much it cost until my GI Bill ran out, and I found out that it was an expensive school, and had a devil of a time paying the rest of the way.

But when I was looking for a school, unlike students today, all I had to do was find a school that fit my needs and that would accept me. And once I was accepted, Uncle Sam picked up the bill. As a matter of fact, they even bought me seasons tickets for football and basketball. Those were considered by the college to be essential, that every student ought to have them.

I went to the bookstore and they had two lines, veterans here and regular students here. When you got your books, they would say, well, all of the veterans are taking these extra horn books and resource books, and you just signed for them.

The reason that I bring that to your attention is that using that program as an example that was sensitive to the student need instead of the cost is exactly the reverse of what happened. Perhaps the reason that it happened was that it was not written by an education committee, and it was not an education bill. It was a part of the old Serviceman's Readjustment Act of 1945.

What they were worried about in 1945 was that 11 million of us were eligible to come home in a relatively short period of time. Where were we going to find jobs, and where were we going to find places for them to live?

So somebody came up with the idea of, well, let's let some of them go to college, and that will keep them out of the work force a little while and let them have time to catch up. The program worked. But nobody when they enacted it, if you go back and look at the legislative history, ever thought of it as being for the advantage of education or the future of the population of the country. It was a way of getting us out of circulation.

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And to the extent that many of us took advantage of it, we delayed our entry into the full-time work force and it worked. In addition to that, I have tried to calculate what they spent on me, and how much I have paid having been in the 50 percent tax bracket for a good many years, and I think that the Government got its money back a long time ago.

Trying to sell that today would be virtually impossible. What we did for the Vietnam veterans incidentally was pretty puny. I was very apologetic when I voted for that legislation, and so were other Members of Congress who like me used the program, because we realized that we were short-changing our kids compared to what people had done for us.

And I just wanted to raise that, because your article got a lot of circulation in Washington, and was naturally called to my attention as evidence of the fact that I was not doing my job as chairman of this committee very well, if these kinds of things happened. And indeed, why not. Everybody says that the GI Bill was great. If it was great and it did not have these problems, why not do it that way.

And I wanted to ask you when writing and talking about this in the future, if you would be a little careful about getting people on my back on the GI Bill. If I could pass that kind of law today, I would be happy to do it. The whole cost of that program was about $4 billion during its entire life. We are already at $7.5 billion in Federal money.

To replicate for today's young people what was done for us would probably cost us someplace in the magnitude of $40 or $50 billion a year. And we all know that that is impossible. We cannot even do it for veterans any longer, or for any other class of people.

Dr. IOSUE. Well, Mr. Ford, you jumped from World War II to the Vietnamese war. The old, old GI Bill, which I will now call it, died January 31, 1955. And for a period of about 9 years, there was no GI Bill at all. That happened to be the time that I was in the Marine Corps, 1955 to 1957. So I was not given the bill.

Then a new bill came out, which I refer to as the old bill just to confuse you further. And I did get that in the mid-1960's, and that was just blanket money and covered people who had served retrospectively through the 1950's.

Mr. FORD. That is what they called the Cold war GI Bill.

Dr. IOSUE. Yes; and there have been a number of versions of the GI Bill, and I should have made that clear. I just think that it is a mistake to use the cost of the particular college in the formula for financial aid, because there is no incentive to keep that cost down, if it somehow plays a role in the granting of financial aid.

Now I realize that it does not play a great role. But you get out a tremendously wide symbolic message to colleges if it were removed, that they have to watch costs themselves a little better than they have in the past.

Mr. FORD. Thank you very much. Mr. Coleman.

Mr. COLEMAN. Mr. Iosue, since we have devoted most of the questioning to you at the beginning, let me say that I find it refreshing to have these discussions and to receive the comments that you offer. We in Congress are looking for ways to save money. We have put another freeze for physician's services under Medicare. We

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have looked to hospital cost containment as a way of reducing the price of that delivery system.

Everybody in higher education knows, but they are not saying it like you are, but they are thinking it, there must be a trend toward putting a cap on the expenses involved with higher education.

I congratulate you on speaking out. We can agree or disagree on how we pursue this goal. But I think that it ought to be out on the discussion taken. We ought to talk about it, and everybody should express thier views.

Dr. Glassick, I agree with the frustration you expressed. We kind of penalize those families who do save for the college costs today. We penalize people who are frugal, who give up a lot of things in order to provide assistance and pay their own way.

I hope that through this reauthorization that we can provide some incentive to do the opposite, in that we will reward those people who make the effort to save.

It is also a very important part in this reauthorizatien to ensure the choice issue. I do not know if it is because I am a graduate of three private institutions or not. They play a very important role. Which must be preserved. I congratulate all of you for working diligently to keep your institutions strong and healthy both financially and academically during this very difficult time.

I know having graduated from an institution with a study body of 1,000 how difficult it is to survive. Whatever we can do to assist your contribution in this reauthorization, we certainly will try to do. Thank you very much.

Mr. FORD. Mr. Hayes.

Mr. HAYES. The testimony was very interesting. Time will not permit me to divulge all my thoughts on it. I shall study it in greater detail. I am bothered by some of your testimony, to be very honest with you. But I will take a better look at it.

Mr. FORD. Mr. Goodling.

Mr. GOODLING. Thank you, Mr. Chairman.

Dr. Iosue, I would also congratulate you on the courage of your convictions.

Dr. IOSUE. Will you have lunch with me? [Laughter.]

Mr. GOODLING. We may have been relegated to the student union, though.

When you were testifying, I was laughing, because I think that it was in St. Louis where I asked the question whether they are doing everything they can in relationship to economizing. And I think that it was one college president who said that he laid off, I do not know whether he said 40 percent or 50 percent of his staff. And of course, my thought was that certainly you must have been overstaffed if you could possibly lay off 40 percent of your staff and still do the job.

Dr. Banks, two questions in your testimony on which I have some concern. On item three, page 3, where you talk about increased borrowing—one of the concerns that I have is what are we doing to young people if as a matter of fact we have them owing $20,000, $30,000, $40,000, or $50,000 depending on how much higher education they take.

What are we doing to them when they start out in life, and should there be a limit? You are saying that it should be increased.

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And I guess I am saying should there be some kind of limit, because of my concern on the indebtedness that they will have when they start out a new life, a new child, a new house, et cetera.

Would you address that?

Dr. BANKS. In response to the first question; yes. Undoubtedly, a person can carry an indebtedness beyond a specific critical mass. A straw that would break the camel's back. It is quite true. Therefore, the need for a mixed and balanced package is crucial.

If I may, I would like to say that I think the crucial matter and the most morally significant question facing the colleges today has to do with the maintenance of a need-based structure. That is to say that we do not give more funds to the left tackle, the flutist, to the person with 750 verbal SAT's, no more than need based. We must not in any way reenact division I athletics. And an inverted guess war in which we continually ratchet up with the cost for somebody who is going there anyway sooner or later.

It is crucial, I think, that we do this. I must say that all presidents toot the horns of their college. You see us do this all of the time. We are rather proud of the fact that every single student at Dickinson College receives every bit of the financial aid required. All of it for freshmen, sophomores, juniors, or seniors. That takes an awful lot of work.

The mix of the package is crucial. That is to say the mix of grant, and loan, and work-study. But it will become a travesty if the private colleges especially but all begin to ratchet upward in a competitive enticement scholarship mode that can occur and probably will occur unless we ban together to keep that from occurring.

Because it will be a taking of money from facilities, from salaries, and those do trail to the CPI. Markedly, we track it every single year. It will take them away from program and from financial aid for people who really need it. And then the loans get higher, the grants get smaller, and the key things will be our willingness to discipline ourselves in not playing that kind of game in order to buy a student away from each other.

Mr. GOODLING. Just two or three observations quickly. This would not apply to the colleges and universities as much, I suppose, as the high schools. But I hope that those who are advising students will remind them that the GI bill is still there. It is different, I will admit, but it is still very much there. And they should be taking advantage of that particular bill.

I noticed that you touched on page 4, your item five, on redefining what a financially independent student is. And if any of you have some suggestions, we would like to have them in writing, because I think that that is an issue that everybody is playing with. Because I realize that there is a certain amount of abuse. Perhaps it may be the largest area of abuse.

But we would be happy to know what your thoughts are about how we redefine those. And then just one comment. Even if you are division I, and you are paying your way in athletics, we are reading every day how you are paying very dearly, because you are losing the independence, and those who are helping them be successful are causing all sorts of problems for the colleges and universities.

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And I do agree, Dr. Iosue, that that is an area where we should really spend some time, probably as a committee, studying the influence of some of those athletic programs in relationship to costs. I guess those are the observations that I would make at this time.

Dr. BANKS. Congressman Goodling, let me just say one small thing. We stand as a shining example at Dickinson College of the inability to do the division I athletic matter. I think that we have won four football games in four seasons. Our SAT's are higher.

Mr. GOODLING. I hear that Gettysburg beat Ursinus by one point. That is pretty bad.

Dr. BANKS. It depends on which side you are on on that issue. And just one last comment. I would hope that colleges would help us make parents understand that price does not necessarily have anything to do with the quality of education. We think that we have an awful lot of people. It is funny in Japan, because they are now under the impression that they have gone too far in relationship to which is the superior university. And, therefore, they have suicides and everything else, because children from kindergarten are being pushed to try to get to that particular university.

I would hope that we do not continue to encourage people to think that if you go to a $15,000 college, that you are getting a far better education than if you go to an $8,000 or $5,000. I do not know if you people helped to put that image out there, but we should do something to correct it.

Mr. GOODLING. Thank you, Mr. Chairman.

Dr. GLASSICK. Mr. Goodling, I wanted to comment.

Mr. GOODLING. Oh, I am sorry, Dr. Glassick.

Dr. GLASSICK. You and Dr. Iosue are still invited to lunch.

Mr. GOODLING. Oh, thank you.

Dr. GLASSICK. And Dr. Iosue is a parent of one of our students, or more accurately one of our near alumni or one of our recent alumni, which I think is testimony to the cost effectiveness of Gettysburg College. [Laughter.]

Mr. GOODLING. He will be getting one of those letters on the fund raising issue as an alumni.

Mr. FORD. You are more expensive than his school.

Dr. BANKS. Much.

Mr. HAYES. If my colleague Gunderson would yield, I just do not want to stop at this question, Mr. Chairman.

Mr. GUNDERSON. I have not been recognized yet, Mr. Hayes.

Mr. HAYES. He is going to recognize you now.

Mr. GUNDERSON. Is he? Okay, I yield.

Mr. HAYES. I was just wondering, Mr. Isoue.

What is the total enrollment of your college, and what percentage of that enrollment is minority?

Dr. IOSUE. I thought that you would not ask, Mr. Hayes.

Mr. HAYES. I had to.

Dr. IOSUE. We have 2,300 full-time students, and 2,000 part-time students. I cannot give you figures on minorities, except to say that we have more minority students at our college than at any of the colleges represented at the table here today, as of my latest figures.

We do attract minorities, because of our programs. We are a little bit different, and because of our cost. But we do have more minority students than any of the colleges represented here today.

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Mr. FORD. If the gentleman would yield. In the Catalogue of Colleges and Universities for the School Year 1982-83, it shows and I found it interesting that you are 45 miles from Baltimore served by bus, is says here.

Dr. IOSUE. No.

Mr. FORD. What does that mean, served by bus?

Dr. IOSUE. It is not served by bus to Baltimore that I know of.

Mr. FORD. Somebody at your school is selling that.

Dr. IOSUE. At our school?

Mr. FORD. I looked at the breakdown of your student population, and it says that 50 percent live on campus. The student body composition is 3.1 percent black, 0.4 percent Hispanic, 0.4 percent Native American, and the rest are white and other. And if the 3.1 percent black represents a larger percentage of minority population than any of the schools here, then it indicates that some students are not going to, as the Secretary of Education says, "the expensive private institutions." That probably the big correlation is cost.

But I should tell you that in my own state university, Michigan, which is now one of the most expensive public institutions in the country, in spite of every effort that they have made, the percentage of minority students is dropping steadily as the cost is going up.

The minority students that would have been going to Michigan are now going to community colleges and cheaper public institutions.

Dr. IOSUE. I do have to straighten out one thing, because I have to live with these people here. The other reason and it is a very sizable reason is that they are much more selective than your college. All of the colleges represented at the table here today have a greater SAT score, just to use one device, a higher SAT score than does your college.

We are not anywhere near as selective as Gettysburg, Dickinson, Western Maryland, or Messiah. Our college is not quite open door. But if I had to describe it, it is closer to open door than it is to very competitive.

Mr. HAYES. But your son went to Gettysburg?

Dr. IOSUE. Pardon me.

Mr. HAYES. Is that the reason that your son enrolled in Gettysburg?

Dr. IOSUE. My son did not want to go to college at home. That is probably a bigger reason than cost.

Dr. BANKS. Congressman Ford, Mr. Chairman, you must understand, I think, the silence of the people at the table here. You notice that we did not reply. Silence under English commonlaw connotes consent. In this case, it does not. It does not indicate agreement in any way. This is a highly complex matter. And in this case, comparisons are invidious.

If we are going to go into this one, I would like to have time for extended testimony with data rather than illusions to the matter. This is a very, very important matter. We do not take minority relations or the ratio between men and women lightly. And it is very important that we do that with greater care than we were just able to.

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Mr. GOODLING. Mr. Chairman, may I also say that we did lose our train service with storms in the late 1950s and the 1960s, but we do have the Greyhound and the Trailways that come back and forth from Baltimore to New York regularly, and I am sure that some students travel in one of those buses.

Mr. GUNDERSON. Mr. Chairman, I might have just set a record for the longest time I was recognized in which I never said a word. I do not know if that qualifies for the Guiness Book of Records or not. [Laughter.]

Mr. GUNDERSON. I want to make a couple of comments, and perhaps try to get a very quick response. I share the concerns that have been expressed here, and I think that this is one of the first hearings that I have heard them made, over future concern over increasing costs of our higher academic institutions.

As I look at what is happening in Congress this year, I would have to bet money that when we reauthorize the Higher Education Act, we are going to freeze all programs for 1986 at the 1985 level, and the question then becomes what do we do in the out-years.

Now if we were to freeze them and give you an inflation increase only as we are talking about in defense and some other things like that, then all of a sudden we would tell you that tuition and cost of enrollment increases in the 9 to 15 percent range or higher, you are not going to have that kind of an increase in student financial aid. This may be one of the ways that we get at this question. You may or may not want to comment on that.

Another question that I would like to ask you is one that I try to ask at field hearings like this when I get a bunch of presidents and financial aid directors in front of me. And that is in 5 seconds or less, each of you tell us the least important federal financial aid program to you.

Mr. GOODLING. You are asking a college professor. That is like asking a politician in 5 seconds or less.

Mr. GUNDERSON. We all know that the GSLs are important, and we all know that Pell Grants are important, et cetera.

Which one does not work very well on your campus?

Dr. HOSTETTER. Well, I would respond, and this does not mean that it is not a good program, that title III for developing institutions has largely gone to black institutions, although there has been some change in that. So that would pertain the least to us.

Dr. BANKS. A form of self-amputation without anesthesia. Plus because we have the PHEAA structure, but only because we have the PHEAA structure.

Dr. PALMER. I think that I would agree with the comment on title III.

Mr. GUNDERSON. Dr. Glassick.

Dr. GLASSICK. We simply have not used the Academic Facilities Act as it is now structured, even though we have done a good bit of renovation. So it has not been very helpful to us as it is now arranged.

Dr. IOSUE. That would be my answer, too.

Mr. GUNDERSON. Thank you, Mr. Chairman.

Mr. FORD. Beverly, do you want to ask any questions?

Mrs. BYRON. I just want to thank the panel, because it has been very valuable to me. And I am not bailing out because I do not

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want to have lunch out, but I am bailing out because I have to go preserve something which I think is very important. I am due in Washington at 2 for the defense authorization conference hearing. And one of the first things that we have up is the veteran education bill that was passed last year, which is just beginning to be implemented.

So I apologize. I am going to take leave, and go see if we cannot make sure that the Senate does not foul that one up.

Mr. FORD. Thank you. We will start with Dr. McCarl.

STATEMENT OF RICHARD L. McCARL, ASSOCIATE DEAN OF THE GRADUATE SCHOOL, PENNSYLVANIA STATE UNIVERSITY

Dr. MCCARL. Thank you, Mr. Chairman, and members of the Subcommittee on Postsecondary Education. It is a privilege to be here today to testify. I thank you for that opportunity. I would like to present specific data on graduate students attending Penn State University.

I attended the hearing on Friday at McKeesport, and I have been here all morning listening to testimony. One of the concerns that I have is the lack of testimony on graduate education, particularly in light of the fact that both Representative Ford and Representative Coleman have presented very important bills in line with the reauthorization proposal. And I wish to indicate my support for those two bills, and will say more about them in a minute.

Dean Baranger, Dean of the Graduate Students and on the faculty of Arts and Sciences at the University of Pittsburgh, did address that issue last Friday, but it was near the end of the hearing after over 3 hours of other testimony. I do not want to belittle the other testimony, but only to express my hope that you consider graduate education as the core for preparing academic leaders for our colleges and universities, and for preparing our researchers for government and industry.

I referred to the Brademas report in my presentation that you should have. This is a report from the Subcommittee on Graduate Education of the National Commission on Student Financial Assistance. The title of that report indicates that there are signs of trouble and erosion in graduate education in America. It particularly emphasizes the use of second and third rate equipment, obsolete instrumentation, and inadequate libraries for our graduate programs.

In other words, the infrastructure of graduate education is deteriorating. I am not going to address those issues, but rather the issues of financing graduate education with particular emphasis on what goes in at Penn State.

My comments follow those of Dr. John Brugel, who testified last Friday on undergraduate problems, and I will address the graduate students. I have been Associate Dean of the Graduate School with assignments for fellowships and awards since 1982. And before that and still, I am a professor of biochemistry, and my efforts and endeavors have been in the area of research and teaching.

I have had some great concerns, and that is part of the reason that I moved over into the grad school to try to address that on a wider issue. In particular, I see a problem with the separation of

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graduate research and graduate education, and see a need for that coming back together again.

Our large universities have as one of their main functions to train graduate students, to train the minds of these post graduate people. That is a very costly procedure. Our research programs are very costly. And there is a definite need for more funding in the area of graduate education.

I want to emphasize also one of my concerns, and that is that graduate students are not undergraduate students. They differ in several ways. First of all, they are older, 21 to 22 years old. They frequently come in with a good debt load that they have had from undergraduate education.

Dr. Brugel addressed that issue on Friday, and indicated that at Penn State one of the largest debt loads that he has is about $19,000 for an out of State student to attend undergraduate studies at Penn State. So if that student were starting in graduate work, he already has a $19,000 debt to consider.

These students must give up or forego salary and job opportunities to attend graduate school, so they are already behind. As I told my wife one time, it would take many, many years to ever catch up with the same people whom I started out with in undergraduate work before we had any kind of parity.

Also, the cost of graduate education is greater for several reasons. And last of all in my consideration, parental support is not as readily available for graduate students as we have for undergraduates.

I mentioned earlier that I support both the Coleman bill and the Ford bill. I compliment both gentlemen on various issues that they have addressed. In particular, I favor the independence factor that appears in the Ford bill.

Psu students are needy. And if we have to wait a year or so in order to establish independence, it becomes very difficult. So in this particular bill, there is no factor of parental support necessary, as I read it.

This bill also provides flexibility. It allows the universities to determine who is or who are needy within guidelines that are set up. It provides support for the first and second year students. This is a very important time. This is a time when the people are deciding that they cannot go on to school because of financial problems. So in a sense, it is a help in recruiting.

I do have a word of caution in that bill, though, in the fact that I feel that there should be some hold harmless language included for G*POP, since it is being proposed to be moved from IX to title IV.

In the Coleman bill, I support it because of its emphasis on quality, and because it supports various programs. And I find it very interesting, because there will be a need for universities and programs to examine all of their programs, and to decide which ones are the most meritorious. Because this particular bill requires the influx of funding from the university in the program. So there will be some soul searching and examination of the program.

I would ask that the list of programs being supported by the Coleman bill would also include geosciences, which it does not do at this time.

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Then I would like to take a moment then and go through my written testimony to take a look at the data. In particular on page 2 of the written statement, I present data there on the total enrollment of graduate students at Pennsylvania State University. It also includes a list of the graduate students at University Park alone.

We are a multicampus university with graduate programs at two or three of these, but the main efforts are at our University Park campus, and probably at our Hershey Medical Center.

The number of assistantships are also presented. And I indicate there that you are looking at about 35 to 40 percent of the total population of graduate students on the main campus having assistantships.

The stipend has increased as the years go by, but so has tuition and all of the other costs. Then I follow this by discussing the source of funding for graduate students. And of course, assistantships, general funds assistantships, external grants and contracts which are very, very important, fellowships and trainingships, tuition grants and aids, a wide variety of aid procedures or aid programs available for students.

My figure 1 indicates the decrease in fellowships at Penn State since 1973, and it pretty well parallels the fellowship availability nationally.

On page 5, we deal with the loan situation at Penn State, and we get a feel for how many students are using the guaranteed student loan, how many are using NDSL, and how many are using some of our university loans, college work study, and miscellaneous sources.

The cost of education is continuously increasing. Table 2 presents data on the increase in tuition since 1979. And I can fill you in with a 1985 bit of data that just became available last Saturday as a result of a board of trustees meeting on our Fayette campus.

Tuition has increased throughout the system by at least 7.7 percent. This table that you see here, table 2, is not the usual table that you find presented by Penn State administrators. But I have included in this table not only the fall-spring tuition, but have included a summer tuition, because graduate students are expected to be in attendance over the year.

So since 1979, a Pennsylvania resident's costs, and that is minimum, has gone from $6,000 to $10,456. Out of State, it goes from $8,000 to almost $14,000. That figure is the type of figure that we use for our international students by the way to come to Penn State. We ask that they indicate how much support they have, and it has to be at least $14,000 per year for the first year.

The last table that I would draw your attention to is table 3, which indicates the source of funding for the support and the costs that I have mentioned earlier. You will notice in that table that the personnel support and loan support constitute the largest source of support for graduate education.

It indicates that our graduate students are providing between 55 and 60 percent of the cost of their education. I asked my financial aid assistant last Friday evening after the testimony about this, and there are several ways of handling this. That is by getting a job, waiting awhile in starting to school, or else lowering their cost

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of living. And I think that our students are doing all of those things.

So in conclusion then, I have mentioned a couple of things here on page seven and eight. And I return to the Ford and Coleman bill, and support that as presented. I think that I will stop at this point then. And thank you very much for allowing me to testify. And if I can answer any further questions, I would be glad to do it.

[The prepared statement of Richard L. McCarl follows:]

PREPARED STATEMENT OF RICHARD L. MCCARL, ASSOCIATE DEAN OF THE GRADUATE SCHOOL, THE PENNSYLVANIA STATE UNIVERSITY

My name is Richard L. McCarl, Associate Dean of the Graduate School and Professor of Biochemistry at The Pennsylvania State University. My assignment in the Graduate School is concerned with Fellowships and Awards. I am pleased to have the opportunity to testify on the subject of the cost of graduate education and the need for financial support of graduate education.

Men and women attend graduate school for many reasons. In a recent study, a Ph.D. candidate in English from the University of Michigan interviewed 32 students from 20 different graduate programs and one question asked was "why did you attend graduate school?". Although the data obtained from these interviews are anecdotal I feel the answers represent the thinking of most graduate students I've worked with or talked to in the last 30 years. Students attend graduate school because they desire to do "significant research with leading researchers" and they hope either to better the human condition or obtain a deeper understanding of some aspect of culture. Many hope to work in academic institutions upon graduation in order to continue their research interests and to share their knowledge with others. Much has been written recently concerning society's need for people with advanced degrees from our research institutions. The Brademas Report which is entitled, "Signs of Trouble and Erosion: A Report on Graduate Education in America" very eloquently expresses the importance of graduate education and research to our national life, economy, diplomacy, defense, and security. Graduate education is at the core of scholarship in most areas of knowledge. We at The Pennsylvania State University support and endorse this report. I will neither attempt to repeat the information presented in the Brademas Report nor address the problems I see for graduate education in America. Rather, I wish to focus on graduate education at The Pennsylvania State University and to relate our needs in graduate education as a reason for specifically supporting the reauthorization of Title IV and Title IX of the Higher Education Act.

The Pennsylvania State University is not an isolated example of a single school. The data I will present are the types of data one would receive from many large public research school. Specific numbers may be different but trends and percentage changes would be representative of this group of schools.

The National Science Foundation reported The Pennsylvania State University ranked 19th in the nation in the amount of research and development dollars received from 15 federal agencies, agencies which account for 95% of all federal money going to colleges and universities. The University received $61.8 million in 1983 of $83.94 million set aside for it, but not all funds were received by the end of the fiscal year. Penn State ranked second in terms of industrially supported research in 1983 and 12th in the country for federal research and developmental money received by public colleges and universities. According to Charles Hosler, vice president for research and dean of the graduate school at The Pennsylvania State University, federal funding for research should reach $96 million in 1984 and approach the $100 million mark in 1985.

The Pennsylvania State University has research activities located mainly at the University Park campus and the Hershey Medical Center. We also have graduate students at our Capitol Campus near Harrisburg, King of Prussia Center near Philadelphia, and Behrend College near Erie, PA. Total enrollment at all campuses of The Pennsylvania State University is 61,407 (Fall Semester 1985).

Total graduate student enrollment as of 1984-85 was 7,046. Table 1 contains data on total enrollment each year since 1979 and also the total number of assistantships awarded with the average stipend per year.

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TABLE 1.—THE PENNSYLVANIA STATE UNIVERSITY GRADUATE STUDENT ENROLLMENT AND GRADUATE ASSISTANTSHIP DATA

Year	Total enrollment [1]	University Park enrollment	Total numbers of assistantships	Average stipend academic year
1979	7,213	5,706	2,123	$3,960
1980	7,572	5,436	2,262	4,320
1981	7,098	5,258	2,358	4,752
1982	7,254	5,166	2,241	5,076
1983	7,226	5,492	2,331	5,256
1984	7,046	5,264	2,383	5,526

[1] Includes resident instruction and continuing education. University Park enrollment is mainly resident instruction mode of delivery.

In this statement I will provide information on the sources and amounts of financial aid that are available to our graduate students. Next I will indicate the cost of attending graduate school at The Pennsylvania State University, individually and as a group. The conclusion from these two sets of data will indicate the gap between costs of education and available finances at The Pennsylvania State University. I will then conclude my statement by supporting reauthorization in general and Titles IV and IX in particular.

A problem of some importance is associated with convincing people that graduate students are quite different from undergraduate students, although they both need financial assistance. There are problems unique to graduate students. Typically, they are at least 21 or 22 years old when they start graduate school. They have had to make a decision to forego a job and salary to attend graduate school. Many beginning students are already in debt for undergraduate studies and will need additional funding for graduate school. In this sense most graduate students are "needy." Parents have felt some responsibility to help finance undergraduate education, but traditionally they choose not to sacrifice further or are unable to contribute further. I recommend a proposal to allow students the opportunity of being considered independent if they meet the conditions of independence at the time they enter graduate school. This would eliminate the one-year delay for eligibility for federal programs such as the GSL. Few students are earning money in excess of that allowed for loan eligibility if they have finished undergraduate school and are starting graduate school. [I would personally recommend an increased allowable limit of parental support, say to $2000, on the independence criteria.]

Let me talk about the sources of funding available for graduate students at The Pennsylvania State University.

1. Assistantships—All assistantships carry support for tuition and provide a stipend for at least the academic year, from the middle of August to the middle of May. Some assistantships are available for 12 months.

A. General funds assistantships—The largest number of assistantships are provided from University funds through departmental allotments. Graduate students so supported are expected to perform some services for their aid. Usual work assignments involve teaching, grading papers, preparing laboratories for undergraduate students, and/or supervising recitation sections. In some instances students may perform some research assignments which may or may not provide data for their own research work.

B. External grants- or contracts-supported assistantships. These assistantships are frequently referred to as research assistantships. Students supported by grants or contracts are expected to work on specific projects that support a Principle Investigator's research. Research efforts provide much needed support for graduate education when investigator-initiated grants include money for graduate assistantships. However, such assistantships are subject to renewal competition every 3-4 years. The five years needed for the Ph.D. degree means a student may need to find alternate funding or change thesis topic if the grant supporting the assistantship is not renewed.

2. Fellowships and traineeships—Graduate students at The Pennsylvania State University have a few fellowships available to them. Fellowships are provided by industrial organizations, federal traineeships, and the University. Most are awarded to specific programs, and the graduate program members select and approve the fellows. We have several NSF fellows who bring their fellowships to The Pennsylvania State University for training in programs of their choice (portable fellowships). By

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the way, these NSF fellowships provide tuition allowance and $11,000 stipend per year for three years. We also have 14 G*POP fellows who receive stipends of $4500.

The following figure (Figure 1) provides data on fellowship numbers at The Pennsylvania State University since 1973. These data indicate a downward trend that has been seen also at a national level.

We have had an increase in fellowship awards from 1983 to 1984 due to an increase in University commitment and spending for minority students. However, our externally supported fellowships have remained at about the 1983 level.

3. Tuition grants-in-aid. This is a University-funded, needs-based program for tuition for students who have been enrolled for at least two semesters. The available funds do not provide enough aid for all who apply. We reserve the awards for the "most needy" and for those who are near completion of their graduate program.

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The Pennsylvania State University

11-Year Review of Fellowships

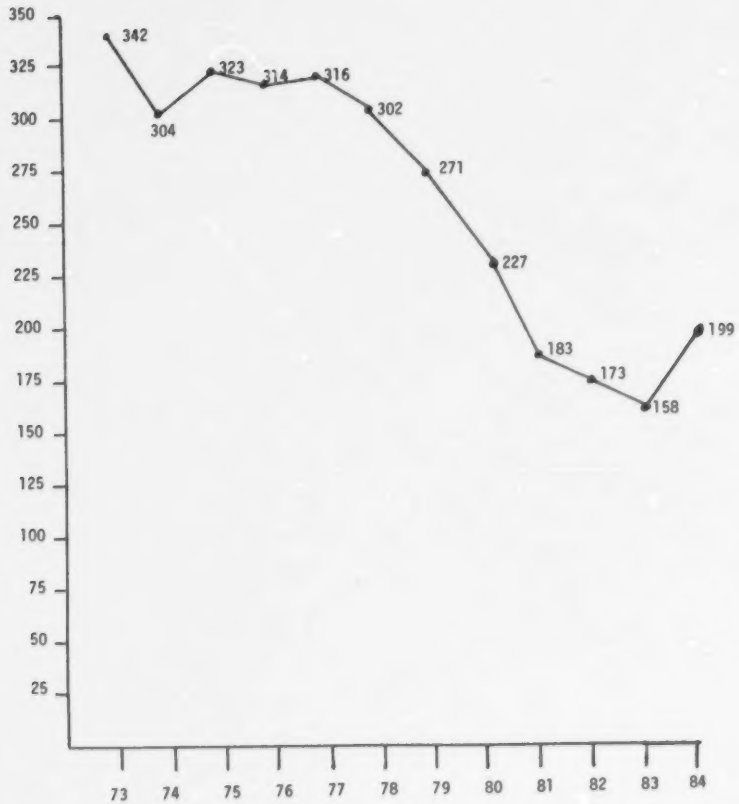

Figure 1

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4. Tuition Assistance Program. This is a University-funded entitlement program. The program was started to provide summer tuition for students who had had assistantships paid from general funds money (teaching) and who would not have a source of tuition aid. It is, in a sense, a reward for their efforts over the previous two semesters.

5. Part-time wage payroll employment. This assistance is hard to define. It includes only the aid provided by departments and programs and funneled through the University payroll. The student must provide services for the wages, and frequently the services are not associated with the student's academic program. The effort may even delay the student's time to advanced degree, but it helps them survive.

6. Loans.

A. Guaranteed Student Loan. In 1984-85 a total of 1,300 graduate students borrowed $4,987,413.

B. National Direct Student Loan. In 1984-85 a total of 118 graduate students borrowed $206,706.

C. University Loans. In 1984-85 a total of 90 graduate students borrowed $127,350 from this source(s).

7. College Work Study Program. In 1984-85 a total of 129 graduate students were awarded $271,484 from this program.

8. Miscellaneous sources. A variety of miscellaneous sources exist such as part-time jobs, staff exemptions, miscellaneous contracts, and residence hall work.

COST OF EDUCATION

One difference between undergraduate and graduate education is the need or desire for graduate students to be enrolled continuously throughout the year. Consequently, graduate students must provide living expenses for the year and not just nine months. Graduate students rent living quarters for a year at a time and must plan on food costs for the year. There is some housing available at The Pennsylvania State University for graduate students, but most live off-campus and sign regular year rental leases.

Our analysis of living costs for The Pennsylvania State University graduate students include costs for food, lodging and utilities, books and supplies, clothes, medical expenses, recreation, transportation, and others. Most of these costs are not controlled by the University but are a function of our economy. The following table (Table 2) indicates the increase in basic costs since 1979.

TABLE 2.—THE PENNSYLVANIA STATE UNIVERSITY GRADUATE STUDENTS, TUITION AND AVERAGE LIVING COSTS [1]

	1979	1980	1981	1982	1983	1984
Tuition for 12-month period						
PA	$2,039	$2,256	$2,539	$2,910	$3,179	$3,529
NonPA	4,078	4,512	5,078	5,820	6,537	7,058
Living costs for 12 month period	3,967	4,570	5,906	6,227	6,734	6,927
Total costs						
PA	6,006	6,826	8,445	9,137	9,913	10,456
NonPA	8,045	9,082	10,984	12,047	13,091	13,985

[1] Costs reflected are for single students for a 12-month period. Tuition is for a 12 credit per semester equivalent and 7 credit per summer session equivalent.

1. Tuition has increased 73% over six years.
2. Living costs have increased 70% over five years.

The Living Costs are determined by combining data from the Graduate Fellowships Office and the Office of Student Aid. Students completing the Graduate School Grant-in-Aid application must provide information on their actual living costs. The Office of Student Aid also collects information on student living expenses.

UNMET NEEDS

What is the shortfall in support for graduate education at The Pennsylvania State University?

I remind the panel again that these data for The Pennsylvania State University are not isolated data but represent the typical shortfall for graduate students across

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the country. Certainly they represent the unmet needs of graduate students at large public universities.

The following data (Table 3) indicate the percent of total costs of graduate education provided by various categories of resources at The Pennsylvania State University since 1979. These data are based on the academic year rather than a calendar year because the teaching assistantships included in the resources are primarily for the academic year. Since summer is a period when funding is difficult to secure, the data for nine months will indicate a higher coverage of costs than would occur for 12 months.

TABLE 3.—THE PENNSYLVANIA STATE UNIVERSITY SOURCES OF FUNDING FOR COSTS [1] OF GRADUATE EDUCATION FOR AN ACADEMIC YEAR [2]

[In percent]

	1979-80	1981-82	1982-83	1983-84	1984-85
Personal	55.1	54	44.1	48	51
Loans	8.1	8.5	9	8	8
Assistantships	23.5	28.2	35.9	34	30
Fellowships	10.2	5.6	4.7	3	3
Others	3	3.6	6.2	7	8

[1] Living costs and tuition/academic year.
[2] Percentage of costs supplied by student would be greater for calendar year. Most assistantships are for the academic year.

Over 50% of the cost of graduate education at The Pennsylvania State University is met by students either through personal resources or loans. If these resources do not exist, they must reduce their living costs. However, from a student point of view these data may be misleading because there are certain programs which have few assistantships to award and very few external competitive grants or contracts available for support of faculty research. Thus, students in areas such as the Humanities and Social Sciences may have to rely entirely on personal resources and loans to support their graduate education.

Support for graduate education requires the efforts of the student, the University, and both the State and Federal governments. The data presented have shown the efforts by both the student and the University to support graduate education. The data also indicate the invaluable help of loans. At The Pennsylvania State University, loans amount to approximately 10% of the cost of education. This source of funding must be continued. However, I am concerned about the debt load we can expect a student to carry upon graduation. I support the efforts to increase the maximum GSL support from $5,000 to $7,500 per year but not without some efforts to allow longer and variable repayment schedules.

I support the efforts represented by both the Ford and Coleman bills. While some may question the practicality of introducing two new funding programs for graduate students, I heartily endorse them. The two programs are complementary and together form an excellent package that addresses the needs of graduate students and graduate programs. Mr. Coleman's bill supports excellence in graduate education in areas of national need while Mr. Ford's bill addresses the individual financial needs of graduate students. Working together, the two bills will effectuate at a federal level what we undertake at a university level.

During reauthorization we need to look at the Graduate and Professional Study Grant Program (G*POP). This program has successfully addressed the issue of attracting more minorities and women to areas where they have been underrepresented. The amount of the stipend must be brought into line with other federal fellowships. Funding minorities and women at much lower levels than other fellowships could imply a second-class status—one which goes against the very purpose of the program.

The National Graduate Fellows program, also in Title IX, is a much needed program for the humanities, arts, and social sciences. We look forward to the implementation of this program and hope that Congress continues its oversight to insure that awards are made for the 1985 year. The proposed regulations for the National Graduate Fellows Program have an arbitrary eligibility income cutoff at $32,500. No currently approved need analysis system uses an arbitrary cutoff point. Other Title IX programs are not subject to the same methods for determining need as are the Title IV student aid programs. If a standard need analysis system must be used, at least let it be comparable to the Title IV programs and certainly do not make it stricter. These questionable need requirements tend to identify it more with under-

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graduate need-based grant programs than with fellowship programs that recognize student excellence in select graduate programs. While I can appreciate why demonstrating financial need is a part of a federally supported program, there are legitimate ways for institutions to do this which acknowledge some of the differences I have mentioned between undergraduate and graduate students. One of these differences, mentioned previously, is the independence issue. Recognizing the realities of parent/student support matters in this reauthorization would be a major contribution to the graduate community.

I will close my testimony with several observations. I have been Associate Dean of the Graduate School at The Pennsylvania State University for approximately three years and for 20 years a member of the graduate faculty. I am frequently asked for data on fellowships and awards by people at The Pennsylvania State University and other schools. It has been very difficult to obtain financial aid data from other schools and even my own school, not because people are unwilling to share information but because of the different definitions and methods schools use for data collection. I offer a word of caution in comparing data from different sources and would appreciate a "central" agency that would collect data on fellowship numbers, stipends, etc. The agency or agencies that collect the data and analyze it could be professional agencies such as CGS, AGS, or AAU or it could be NSF.

It would be valuable to know how many prospective students are "turned away" from graduate school for lack of funding. I have only anecdotal information. Certainly, financial aid is an important factor when considering graduate school, and it is particularly important for various graduate programs. In science and engineering programs the concern is which school and which program provides the best financial aid package. In other graduate programs it may be based on the cost of attendance since little aid may be available for certain areas of study.

Thank you.

STATEMENT OF ANTHONY F. CEDDIA, PRESIDENT, SHIPPENSBURG UNIVERSITY

Dr. CEDDIA. Thank you very much, Chairman Ford. I would also like to extend my appreciation to Congressman Goodling for providing us with an opportunity to testify here today.

As the record would indicate and my testimony, I am Dr. Anthony F. Ceddia, the president of Shippensburg University in Shippensburg, PA. Rather than read my testimony to the committee this morning, I would like to just highlight some parts of it.

First of all, I would like to begin by telling you a little something about Shippensburg University. Shippensburg University is a publicly supported liberal arts institution that is 114 years old. We service 5,100 undergraduates and approximately 1,100 graduate students.

We are organized basically into three colleges within the university. The college of arts and sciences, which is our biggest, 44 percent of our enrollment. The college of business, and the college of education and human services. In addition, we have a graduate school of research with about 38 graduate programs servicing about 1,200 students.

We are part of the 14 State-owned university systems in Pennsylvania. The system itself services approximately 80,000 students throughout the Commonwealth. I should also like to mention to you that 78 percent of our students are currently receiving some form of financial aid. In addition, most of our students come from approximately a 150-mile radius of Harrisburg, PA, focusing primarily on south central Pennsylvania.

And as you look at the studies, demographic studies of our graduates, nearly 26,000, approximately 12,000 of our graduates have settled in south central Pennsylvania, and are now performing very

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meaningful tasks in all walks of life, whether it be medicine, law, education, human services, business, and so on. That is a little something about the university.

What I would like to do this morning, again rather than reiterate my testimony, is focus in on specifically two items. First of all, I would like to talk about the Pell Grant Program, and indicate to you this morning that as a representative of the State-owned universities in Pennsylvania and as an active institution in the American Association of State Colleges and Universities, I strongly support the AASCU position on the Pell grant reauthorization issue.

As you know, that recommendation allows for a maximum Pell grant in the first year of $2,600 minus the family contribution, not to exceed 70 percent of the cost. In addition, I think that one of the interesting aspects of the AASCU proposal is that the maximum grant should be increased $200 each year, but should be frozen for life of the reauthorization at the cost limitation of 70 percent.

This is based on the concept that all AASCU institutions embrace, that no student should receive 100 percent of their cost under the grant program.

In concert with the AASCU position, it is my position that their living allowances for students living with parents and for students who do not live with parents be $1800 and $2600 respectively.

Again another interesting aspect of the AASUC proposal is that these allowances would increase $100 each year, thus providing for a small inflationary factor which I think is reasonable good planning.

The AASCU position deviates the least from the existing law. It builds on the 1980 amendments which represented the last time that the higher education community reached consensus on the Pell grants. And if the Pell grants had been funded according to the 1980 amendments, the reauthorization would begin at the position that the AASCU proposal recommends.

So I strongly recommend that the committee look at the AASCU proposal. And recognizing that there is some difference between the American Council on Education proposal and the AASCU position, we do feel that Shippensburg University and other state owned universities in Pennsylvania, that the AASCU position is perhaps the strongest in terms of dealing with student need and the Pell Grant program.

I would also like to mention to the committee this morning that I have great concern about the loan issue as far as our students are concerned. Even though our costs are relatively low in relation to the private sector that testified earlier this morning, I want to call your attention again to the point that I made in my opening remarks.

That 78 percent of our students are on financial aid. Many of them incur loans as a means for supporting their education. Shippensburg has a history like many other state owned universities throughout this country of providing an educational opportunity for first generation college students, which means that they generally come from income backgrounds where they do not have the money necessary to support their cost of education, even though they are attending what some might describe as a low cost educational enterprise.

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The fact of the matter is simply, members of the committee, that we have seen cases where we had students with severe loan debts once they graduated, and then attempted to go into the world of work. I recommend caution when you are looking at the GSL program in terms of expanding limits, and I would urge the committee to focus more on the area of providing Pell grant aid and supporting the other campus based programs like the SEOG program and the NDSL program in order to divert costs for students attending publicly supported institutions.

And in my final comment, I would mention to you, too, that as representing an institution that has a long and illustrious history of teacher training, and in fact we began our career 114 years ago as a normal school, I would urge this subcommittee to focus seriously upon the issue of the training of teachers now and in the future.

I did not include any suggestions in this respect in my written testimony. But I would like to propose this morning that the committee look at ways in which either the NDSL program in its present state or perhaps in terms of its redefinition provides some mechanism for encouraging undergraduate students from across the country to enter the profession of education.

We have heard a lot over the last couple of years of the renewed emphasis at the local level on the importance of primary and secondary education. Quite frankly, gentlemen, this is turning out in my opinion to be more verbiage than action. And I do not think that we are going to encourage the quality of people that we want in the teacher training profession unless we have some kind of incentives.

In addition, I would suggest to you that maybe it is time for the Federal Government not only to reassert its emphasis in this area, but perhaps to link all segments of education, primary, secondary, and postsecondary with some type of a teacher opportunity program, which would allow for individuals interested in teacher training to receive grants and aid of some form, so that they could continue not only their undergraduate but graduate education.

My proposal would be simply something like this. You would provide a revision or an aspect of the national direct student loan program where you would allow for loan indebtedness, but you would also provide for the waiver of that indebtedness up to a certain number of years that they might teach.

I was educated under that principle back in the 1960's, the early 1960's, and I found that to be quite helpful to me, and in fact somewhat of an incentive to get involved in teacher training.

But I would also suggest that this would continue all the way through graduate education, and be available to those people who finished their Ph.D. program, and then went into a college or university setting to teach. And in fact, with a fixed interest rate and a right of waiving so many years of repayment, that that repayment and the fixed interest might be supplemented not only by the Federal Government, but by the student himself or herself, and also perhaps the institution or the school district that they might service.

And my third point is that maybe it is time that we link this type of a program with either economic development zones, or en-

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terprise zones, or asking business and industry in some way to absorb some of the costs of the interest that is associated with these types of programs.

The reason that I am mentioning that is because in many of our States, and particularly in Pennsylvania as you have heard from Representative Cowell and others, we are focusing on the whole issue of economic development. And one of the things or one of the factors that attracts business and industry to a particular region, as we have seen in North and South Carolina and other sections of the country, is the availability of quality school districts and quality institutions of higher education that are in fact able to provide some kind of support for those businesses and industry.

And I think that a type of program that would marry the concept of public and private support to encourage more young talented people to get into the field of education at this primary, secondary, and postsecondary level, I think would do wonders in terms of encouraging the numbers to improve significantly and the talent pool to improve significantly.

My point being simply this: That providing aid for undergraduate students is one way of improving the status of a society. But if, in fact, if we are going to do anything serious about improving the quality of education, it is not just in terms of providing access, it is also in terms of providing quality people in the classroom. And I am convinced that that has to begin at the primary and secondary level as well as encouraging people to get more involved in higher education.

Many of the problems that we deal with on a daily basis on our campuses come to us because of the ineffective teaching that occurs in the primary and secondary level. Far too many of us are involved in remedial education, and we are involved in remedial education because things are not happening at the primary and secondary level.

And I am convinced that part of that is because we do not have enough young talented people teaching in those areas, and I think that we have to reestablish that emphasis someway and somehow.

In addition, you have heard from my colleagues earlier that we are all having difficulty, and especially in the sciences and related technologies, of recruiting qualified and talented people in the postsecondary arena. They just are not out there. In fact, many of them are taking jobs where they are being paid much higher salaries than we can afford to pay. And I think that we ought to do something to encourage many of them to consider teaching on our college and university campuses.

And I think that by providing them with some support in this respect as they assume the cost of their education through their undergraduate and graduate years may be a way of doing this.

So I will close with that comment, and again I would be happy like my colleagues to answer any questions afterward. Thank you very much for the opportunity to make my presentation.

[The prepared statement of Anthony F. Ceddia follows:]

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PREPARED STATEMENT OF ANTHONY F. CEDDIA, PRESIDENT, SHIPPENSBURG UNIVERSITY OF PENNSYLVANIA

Ladies and gentlemen of the Committee, I am honored to have been invited to appear before you as a witness for this Hearing on the Reauthorization of the Higher Education Act. My name is Anthony F. Ceddia, President of Shippensburg University of Pennsylvania. As a brief point of information, Shippensburg University is a public, four-year liberal arts institution with an enrollment of 5,100 undergraduate students and 1,100 graduate students matriculating in programs in the arts and sciences, business, education, and human services. Located approximately 30 miles from Gettysburg, Shippensburg University is one of 14 universities comprising the State System of Higher Education in the Commonwealth of Pennsylvania.

First of all, I sincerely applaud the action of the House of Representatives last month in passing House Resolution 2577, legislation which includes an additional $287 million in funding for Pell Grants. This measure would ensure that students receive Pell Awards this Fall of up to $2,100 or 60 percent of the cost of a college education. The bill would also add $720 million to the Guaranteed Student Loan Program to meet the 1985 cost of GSL interest subsidies, administrative allowances, and loan advances. Your efforts to resolve the uncertainty over the funding of Pell Grants will enable students to receive final award notices and to make their plans for the forthcoming Fall semester.

Needless to say, President Reagan's fiscal year 1986 budget recommends deep cuts for higher education, with all but $100 million of the cuts coming from student aid. My understanding is that virtually all 5.3 million current recipients would be affected—students without any family resources would have their aid reduced, and students from many middle-income families would become ineligible for grants or subsidized loans. Of equal concern is the fact that special programs to prepare disadvantaged students for college and provide supportive help for them to complete their education would be cut back some 53 percent. Further, a significant number of middle-income students would be dropped from eligibility for Pell Grants in academic year 1986-87. Seven other aid programs, providing another 2 million awards for undergraduate and graduate students, would be abolished. You have received already a number of recommendations from associations representing colleges and universities of all types throughout the country—the American Council on Education, the National Association of State Universities and Land Grant Colleges, the Association of American Universities, and the American Association of State Colleges and Universities. Although some of these associations representing public and independent sectors differ on their recommendations for the Pell Grant Program, all agree on the need to funnel aid to the most needy students and to increase awards.

As a public institution and a member of the American Association of State Colleges and Universities, I support the position advocated by AASCU. As but one association, I trust their recommendation will assist you in considering the problems of excessive student borrowing, ways to allow students to consolidate and repay loans from different sources, the balance between grants and loans, and the nature of the federal commitment to higher education. All six presidential-based associations with an interest in this issue have attempted to develop a consensus position on the reauthorization of the Higher Education Act. It is my understanding that the only area where consensus has not been reached was in Title IV, The Student Aid Program, with a major point of difference between the Associations being in the Pell Grant Program. Specifically, the issue speaks to the manner in which Pell Grants are calculated. The position which I, as a representative of a public institution support, is that the maximum Pell Grant in the first year be $2,600 minus family contribution not to exceed 70 percent of cost. This maximum grant should be increased $200 each year but should freeze for the life of the reauthorization the percentage of cost limitation at 70 percent. This position is based on the concept that a student should not receive 100 percent of cost under a Grant Program. Further, in concert with the AASCU position, our position is that living allowances for students living with parents and for students who do not live with parents be $1,800 and $2,600 respectively. These allowances would increase $100 each year, thus trying to provide some kind of inflationary factor. Consistent with testimony that you have already heard in support of this position, the AASCU position deviates the least from existing law, and it builds on the 1980 amendments which represented the last time the community had reached consensus on the Pell Program. If the Pell Program had been funded according to the 1980 amendments, reauthorization would begin at the position that the AASCU proposal recommends.

With regard to the Guaranteed Student Loan Program, I advocate a more cautious approach consistent with the AASCU position, which I believe has been ameliorated somewhat over the past few months. As opposed to advocating an expansion of student loan limits, I have the concern that this position be modified slightly, noting the potential of increasing significantly the growing debt burden placed upon students through the years. I can appreciate the problem. If loan limits substantially increase the debt burden on students, it would seem logical that the potential exists for increased default. A more cautious position on the part of public institutions supporting the Guaranteed Student Loan Program is more appropriate.

May I share with you my views of the impact that such proposed cuts would have upon student financial aid in general in Pennsylvania and specifically at Shippensburg University. The estimates of the impact of each of the President's budget recommendations for student financial aid assistance in Pennsylvania are as follows:

If Pell aid were limited to families with incomes under $25,000, 14,000 students would lose $12,500,000;

If SEOG, SSIG, and NDSL were eliminated, 40,000 students would lose $32,200,000;

If a absolute limit of $4,000 a year on all federal aid were imposed, 40,000 undergraduates and 18,000 graduate students would lose a total of $24,500,000; and

If a family income limit of $32,500 for the GSL Program were imposed, 65,000 would lose $150,000,000.

More specifically, if all of the proposed changes in reduction of financial aid were put into effect, they would impact upon Shippensburg University students in the following manner. May I add that our studies indicate there would be comparable impact upon students attending all of the 14 universities within the State System of Higher Education:

Denying Guaranteed Student Loans to students with families whose income is over $32,500 would result in a reduction of $1,325,125 in aid affecting 768 students;

Restricting Guaranteed Student Loan borrowers to remain in need for students with incomes below $32,500 would result in a reduction of $500,304 in aid affecting 472 students;

Denying Pell Grants to students within incomes above $25,000 would result in a reduction of $138,046 in aid affecting 174 students;

Eliminating federal capital contributions to the National Direct Student Loan Program would result in a reduction of $70,000 in aid affecting 88 students;

Eliminating all of the monies to the Supplemental Educational Opportunity Grant Program would result in a reduction of $81,000 in aid affecting 190 students; and

Eliminating the Student State Incentive Grant Federal Appropriation and matching Pennsylvania State Grant Funds would result in a reduction of $67,595 in aid affecting 97 students.

I call to the attention of the members of the Committee the fact that many of the students attending a public university such as Shippensburg University are first-generation college students from low to middle-income families. Suffice it to say, a number of these students could not afford a higher education if it were not for institutions of our type. Further, these students and their parents are in need of financial aid programs both from the Commonwealth and from the Federal Government to supplement the limited amounts that students and their families can contribute toward their educational expenses. To adopt totally all of the provisions of the President's proposed cuts in higher education student aid would place an unreasonable hardship upon these families and would result in a large number of qualified students curtailing their studies because of the lack of adequate finances.

In summary, as a representative of Shippensburg University and the State System of Higher Education, I advocate support for the AASCU proposal which we have been promoting for some time because it is clearly the most equitable one from our point of view. Moreover, it is consistent with the provisions of the amendments of 1980. Given the voluminous testimony on this subject which you must consider and given the myriad of positions taken by any number of associations who have an understandable, vested interest in the reauthorization of the Higher Education Act, in spite of our differing positions I believe there is the Higher Education Act, in spite of our differing positions I believe there is one position upon which we all agree and advocate. In your role as law makers and in our positions as educational leaders, we must be extremely careful that whatever position is eventally adopted that we do not deliver the wrong message to potential students, especially black and Hispanic, and their families causing them to postpone or alter their current plans to attend college because of the fear that financial assistance would not be available to them. This, I feel, is the real danger and portends the possibility of eliminating the

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opportunity for countless numbers of young men and women from families of all income levels to take advantage of postsecondary education opportunities and to become productive and creative citizens in this great nation of ours. I trust that this Committee will continue to remain a strong advocate of postsecondary education and will work toward adopting a position in support of sustained financial support for all students in need.

Thank you sincerely for this opportunity to share my views with you on this subject. I would be very happy to respond to any questions or comments from the members of the Committee.

Mr. FORD. Dr. Woodbury.

STATEMENT OF KENNETH WOODBURY, PRESIDENT, HARRISBURG AREA COMMUNITY COLLEGE

Dr. WOODBURY. Mr. Chairman and members of the subcommittee, on behalf of the 14 community colleges in Pennsylvania, we wish to extend to the distinguished members of the House Subcommittee on Postsecondary Education and to their colleagues on the Committee on Education and Labor our sincere appreciation for the strong support that we have received over the years from the Federal Government which has materially strengthened our institutions and our ability to provide geographic, academic, financial, and programmatic access to higher education for America's adults.

We are honored to have the subcommittee meet here in south central Pennsylvania. The college that I represent is an open access, comprehensive public community college serving three counties of 446,576 citizens, and enrolling nearly 7,000 students in credit courses each semester with an additional 2,000 students in noncredit offerings providing opportunities for career enhancement, training, and advancement.

Programmatic access is assured through our credit curricula offering instruction in 52 associate degree programs and 23 one year certificate programs. Our career technical programs range from nursing and allied health programs such as respiratory therapy to engineering technology programs, such as robotics, computer design, and digital electronics to the business and data communications field in information systems, data processing, paralegal, dietics, and food service management, and in the social sciences and humanities with advertising design, photography, early childhood education, police and fire science.

Our students are 60 percent female, 8.5 percent minority, and average 27.5 years of age. 58 percent of our students qualify for and receive financial aid, even though we have the lowest tuition and fees at $410 a semester for full-time attendance of any institution of higher education in Pennsylvania public or private, 2 year or 4 year.

Since one essential mission of the college is to provide admission to the college regardless of prior educational background, we enroll many with postbaccalaureate degrees including doctorates who are seeking a career change as well as the 27.5 percent of our credit students with academic deficiencies in English and mathematics, who while admitted to the college cannot enroll in regular college level classes until they have successfully completed remedial and developmental courses. We seek to give everyone the opportunity to succeed rather than screening out those who might fail.

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Adequate financial aid is of paramount interest to our students in order to ensure financial access to higher education. During 1983-84, Federal assistance in Pell grants, college work-study, and Federal loan programs amounted to $869,487 with State scholarship support totaling $849,669 through the Pennsylvania Higher Education Assistance Agency.

Our own financial aid program financed through income derived over the years from auxiliary enterprises such as the college book store totaled $333,239 in aid supplemented with $112,203 in private scholarship assistance from committed community clubs, agencies, churches, and citizens.

Without continued Federal financial aid to needy students, many would forfeit their chances for higher education and continue in lower paying jobs returning less to the Federal treasury over their lifetime of earnings. The Federal payback period if higher income taxes for a community college graduate may be as short as 1 year following commencement. The student aid program is an investment and revenue generator.

Job training and the reindustrialization of America should be considered a critical priority by Congress. The Higher Education Act can play a vital role in assisting community colleges meet local and State job market needs. A vital mission of the community college is industrial and business training.

But high tecnnology careers cost substantially more than liberal arts education. It is equipment intensive, requires specialised space, and specially trained faculty who can command higher than average salaries.

Pennsylvania has an economy that originally was geared to basic industry. Basic industry such as steel making has been suffering from severe foreign competition whose plants are more modern and whose work force received lower wage levels.

In Steelton, PA, Harrisburg Area Community College and the Commonwealth of Pennsylvania combined to train millwrights and electricians in electronics to operate a new continuous caster for rail production which cost the Bethlehem Steel Co. several hundreds of millions of dollars to install.

If we were not ready to train these workers, the company might have had to hire new employees already possessing these skills and put the older workers on Unemployment, or build a plant in another location permanently closing the outdated Steelton plant and furloughing thousands of wage earners.

I could recount many more examples of how the college has played a key role in custom tailoring training programs to meet the varied needs of business and industry to upgrade employee skills in order for these companies to remain economically viable and competitive in a world market. The contracts that we have with General Motors Corp., the Federal Aviation Administration, New Cumberland Army Depot, Gannett-Fleming, Inc., AMP, Inc., Olivetti Corp., M&M Mars, Harsco, Inc.

We urge your support in restructuring title I to allow community colleges to more aggressively and adequately provide career training programs for adults as required by demonstrated business and industrial requests for assistance.

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The Commonwealth of Pennsylvania currently has a customized job training program, but it is chronically underfunded. I urge Congress to consider a nationally sponsored customized job training program that can supplement existing State appropriated funds and be administered by the same State agency. Other States have also enacted customized job training laws, such as neighboring New Jersey.

Title I could be modified to permit Federal funds to be allocated to States with customized job training programs on a matching basis. Since machinery for State disbursement already exists where authorizing legislation has been enacted, it would allow the Federal Government to act as a partner with the States and local companies in economic revitalization.

Doing more with less requires a sharper definition of our national priorities. We appreciate the opportunity to participate in shaping that definition which may ultimately dictate our destiny. Thus, we urge Congress to continue to keep the door open for our Nation's high school graduates as well as older adults with limited incomes seeking access to higher education and career training. The student aid program is vital to keeping that door from closing.

Second, our Nation's business and industrial concerns require skilled manpower to keep their competitive edge. We represent a major resource in manpower training, but need Federal and State assistance to keep the cost of these programs from becoming prohibitively beyond the reach of employers and their employees.

Thank you for taking the time to listen, and we hope that we will also have been heard.

[The prepared statement of Kenneth B. Woodbury follows:]

PREPARED STATEMENT OF DR. KENNETH B. WOODBURY, JR., PRESIDENT, HARRISBURG AREA COMMUNITY COLLEGE, HARRISBURG, PA

Mr. Chairman, members of the Subcommittee, my name is Kenneth Woodbury, President of Harrisburg Area Community College of Harrisburg, Pennsylvania. On behalf of the 14 community colleges in Pennsylvania, we wish to extend to the distinguished members of the House Subcommittee on Postsecondary Education and to their colleagues on the Committee on Education and Labor our sincere appreciation for the strong support we have received over the years from the federal government which has materially strengthened our institutions and our ability to provide geographic, academic, financial, and programmatic access to higher education for America's adults.

We are honored to have the Subcommittee meet here in south-central Pennsylvania. The College I represent is an open access, comprehensive pubic community college serving three counties of 446,576 citizens and enrolling nearly seven thousand students in credit courses each semester with an additional 2,000 students in non-credit offerings providing opportunities for career enhancement, training and advancement. Programmatic access is assured through our credit curricula offering instruction in 52 associate degree programs and 23 one year certificate programs. Our career technical programs range from nursing and allied health programs such as respiratory therapy to engineering technology programs such as robotics, computer-assisted design and digital electronics to the business and date communications field in information systems. data processing, paralegal, dietetics, and food service management and in the social sciences and humanities with advertising design, photography, early childhood education, police and fire science. Out students are 60% female, 8½% minority and average 27.5 years of age. 58% of our students qualify for and receive financial aid even though we have the lowest tuition and fees ($410 per semester for full time attendance) of any institution of higher education in Pennsylvania, public or private, two-year or four-year. Since one essential mission of the College is to provide admission to the College regardless of prior educational background, we enroll many with post baccalaureate degrees including doctorates

who are seeking a career change as well as 27.5% of our credit students who have academic deficiences in English and mathematics who, while admitted to the College, cannot enroll in regular College level classes until they have successfully completed remedial and developmental courses. We seek to give everyone the opportunity to succeed rather than screening out those who might fail.

Adequate financial aid is of paramount interest to our students in order to ensure financial access to higher education. During 1983-84 federal assistance in Pell grants, College Work-Study and federal loan programs amounted to $869,487 with state scholarship support totaling $849,669 through the Pennsylvania Higher Education Assistance Agency. Our own financial aid program financed through income derived over the years from auxiliary enterprises such as the College bookstore totaled $333,239 in aid supplemented with $112,203 in private scholarships assistance from committed community clubs, agencies, churches, and citizens. Without continued federal financial aid to needy students, many would forfeit their chances for higher education and continue in lower paying jobs returning less to the federal treasury over their life time of earnings. The federal payback period in higher income taxes for a community college graduate may be as short as one year following commencement. The student aid program is an investment and revenue generator.

Job training and the reindustrialization of America should be considered a critical priority by Congress. The Higher Education Act can play a vital role in assisting community colleges meet local and state job market needs. A vital mission of the community college is industrial and business training. But high technology careers cost substantially more than liberal arts education. It is equipment intensive, requires specialized space, and specially trained faculty who can command higher than average salaries. Pennsylvania has an economy that originally was geared to basic industry. Basic industry, such as steel-making, has been suffering from severe foreign competition whose plants are more modern and whose work force receives lower wage levels. In Steelton, Pennsylvania, Harrisburg Area Community College joined forces with Bethlehem Steel Company and the Commonwealth of Pennsylvania to train millwrights and electricians in electronics to operate a new continuous castor for rail production which cost the Bethlehem Steel Company several hundreds of millions of dollars to install. If we were not ready to train these workers, the company might have had to hire new employees already possessing these skills and put the older workers on unemployment or build a plant in another location, permanently closing the outdated Steelton plant and furloughing thousands of wage earners. I could recount many more examples of how the College has played a key role in custom tailoring training programs to meet the varied needs of business and industry to upgrade employee skills in order for these companies to remain economically viable and competitive in a world market—contracts with General Motors Corporation, Federal Aviation Administration, New Cumberland Army Depot, Gannett-Fleming, Inc., AMP, Inc., Olivetti Corporation, M & M MARS, HARSCO, Inc. We urge your support in restructuring Title I to allow community colleges to more aggressively and adequately provide career training programs for adults as required by demonstrated business and industrial requests for assistance. The Commonwealth of Pennsylvania currently has a customized job training program but it is chronically underfunded. I urge Congress to consider a nationally sponsored customized job training program that can supplement existing state appropriated funds and be administered by the same state agency. Other states also have enacted customized job training laws, such as neighboring New Jersey. Title I could be modified to permit federal funds to be allocated to states with customized-job training programs on a matching basis. Since machinery for state disbursement already exists where authorizing legislation has been enacted, it would allow the federal government to act as a partner with the states and local companies in economic revitalization.

Doing more with less requires a sharper definition or our national priorities. We appreciate the opportunity to participate in shaping that definition which may ultimately dictate our destiny. Thus, we urge Congress to continue to keep the door open for our nation's high school graduates as well as older adults with limited incomes seeking access to higher education and career training. The student aid program is vital to keeping that door from closing. Second, our nation's business and industrial concerns require skilled manpower to keep their competitive edge. We represent a major resource in manpower training but need federal and state assistance to keep the costs for these programs from becoming prohibitively beyond the reach of employers and their employees.

Thank you for taking the time to listen and we hope that we will also have been heard.

Mr. FORD. Thank you very much.

Dr. McCarl, I would simply observe that perhaps the staff assumed that since the Chairman and the ranking minority member of the committee both have bills in to strengthen our commitment to graduate education, that we did not need a lot of hearings on the subject and get us confused. It does not indicate when you look at the amount of time spent specifically on graduate education that we are in any way putting that on the backburner, because we have been painfully cognizant of the fact that as the overall value of federal support for education has eroded for postsecondary education, it has eroded even more at the graduate level.

Dr. Ceddia, you were talking about the fact that your institution is what you referred to as relatively low cost.

What does the Pennsylvania system that you are part of charge?

Dr. CEDDIA. We are running right now with a slight tuition increase for the fall projected, we are running room and board, and tuition and fees about just a little less than $3800. That is for residential campus experience.

Mr. FORD. That is very good.

Dr. CEDDIA. We receive approximately 52 percent of our support from the Commonwealth of Pennsylvania, and 48 percent of our support from student fees and tuition.

Mr. FORD. Dr. Woodbury, you mentioned that your community college is the cheapest in the State, is that right?

Dr. WOODBURY. It is the lowest tuition cost of any college of any type.

Mr. FORD. In Pennsylvania?

Dr. WOODBURY. In Pennsylvania.

Mr. FORD. Although actually, you are a little bit above the national average for tuition at a community college.

Dr. WOODBURY. Tuition costs in Pennsylvania are very high. We rank in the upper 40s for average tuition costs at public institutions. So we are low in Pennsylvania, but Pennsylvania is high in the country.

Mr. FORD. That is correct.

What is the national average community college, about $300?

Dr. WOODBURY. Yes, around $300.

Mr. FORD. Thank you very much. Mr. Goodling.

Mr. GOODLING. Thank you very much, Mr. Chairman.

Dr. McCarl, you are not the person to ask this question, and I guess I will have to ask your good president, I guess. On page 6, you say that tuition has increased 73 percent over 6 years, and living costs have increased 70 percent over 5 years. And I guess that I would have to ask him was all of that necessary. Rather than ask you, because I do not think that you probably deal in that.

Dr. MCCARL. I am not on the board of trustees, or even on a recommending side of this, so I really cannot answer that question.

Mr. GOODLING. Realizing that energy went up right before that period. I would like to see statistics as to why that had to happen.

You mentioned, Dr. Woodbury, that you would urge our restructuring of title I. I agree with what your suggestion is. But of course, as you probably know, title I has not been funded.

Dr. WOODBURY. That is correct.

Mr. GOODLING. So we could restructure and not fund it, and it would not get us very far.

Dr. WOODBURY. I only understand that the topic today was what the national priorities should be. I can only suggest what it should be. What you choose to fund, of course, is up to your own discretion.

Mr. GOODLING. And of course, retraining in our State, there is no question that it is just a must, if we are ever going to get on our feet again.

In Shippensburg, you had a full house last year, and you are expecting a full house this year.

Do you think that part of that has to do with the dramatic increases in private institutions besides being an outstanding institution?

Dr. CEDDIA. I think that the important point that I tried to make in my opening comments was that Shippensburg represents an institution with a regional focus. And as we have done our demographic studies at Shippensburg, we are coming to the conclusion that south central Pennsylvania is really not going through any kind of a major downturn in terms of its demographics.

In fact, in eight of the ten counties that we primarily service in central Pennsylvania, we have noticed that the enrollments in the secondary schools are either holding stable or in fact increasing. I think that if you look at some of the economic data on the Commonwealth of Pennsylvania, central Pennsylvania seems to be one area where there is some development going on.

I do not think that we are taking students away from private institutions in Pennsylvania. This is an issue that I really would like to just spend a minute on, if I could. Because Pennsylvania, as some of my colleagues in the private sector indicated earlier, has a rich heritage in terms of its pluralism, public versus private.

And in fact, I come from a state born and brought up in Massachusetts where we have an equally good heritage in terms of public versus private. And I do not sense in any way a great deal of difficulty in Pennsylvania with maintaining that pluralism. I think that there are enough students there for all of us in Pennsylvania and outside of Pennsylvania.

The State university system, the State owned universities, have had a history of servicing primarily students from their districts or their regions in Pennsylvania in a number of areas. And I do not see us really competing in a similar way with the students that Dickinson would try to attract to its institution 14 miles north of us, or Gettysburg which is thirty miles southwest of us.

We really are not competing for the same pool of students. Yes, there is some overlap. But I do not really think that there is a significant problem in terms of the student population. I must tell you, though, that I do not think that the evidence could be any clearer that when we are talking about nearly 6,000 students, even Congressman Ford, with our low cost system, we are still dealing with about 78 percent of our students receiving aid.

So that has to give you some indication of the need that is out there, both the potential and the real need that is out there. And in fact, we are not meeting full need at Shippensburg. I cannot

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make the statement like President Banks that in fact we have no students who have financial need.

I do not have the flexibility of institutional resources that many of my colleagues have in the private sector. And I think that that is a significant difference that needs to be pointed out to the subcommittee. Yes, we are trying to raise money privately both for physical facilities, for scholarships, and other activities, but we simply do not have the tradition, and the resources, and the connections, and, in fact, I think the case, as we say in the business, to generate that kind of fiscal support in the private sector.

Shippensburg has taken the lead across the Commonwealth of Pennsylvania. We have a foundation that is associated with the university that is valued close to $3 million. Annually, we give out through the foundation close to $125,000 to $130,000 worth of restricted aid to students. But again, we do not have the resources that some of our private colleagues have. Nethertheless, we have attempted to try to open up that possibility for us.

So I do not think that we are competing for students. And I think that at times that is a myth that gets played on in the national media. The institutions that were represented here earlier by the private sector if we compete with any of them, we probably draw some competition with York College, because our cost structure is pretty close, and in fact we do take a lot of students in from the City of York.

Mr. GOODLING. Mr. Chairman, Shippensburg was one of 12 or 14, I do not remember, that used to be State teachers colleges. And in that particular area, they trained the teachers pretty much for the particular area in which the school was located, and they became State colleges, and now State universities. So there was a changeover. I have no other questions.

Mr. FORD. Mr. Hayes.

Mr. HAYES. Just to comment, Mr. Chairman. We have benefitted from what has been some very good testimony from all of the witnesses here today. If I had to just sum up what I have gotten out of it, there seems to be a general consensus of agreement that we have got to take the necessary steps to preserve to the extent possible and improve our educational system both in the private and the public sector.

I am a little bit bothered however. Penn State University, you know, is one that has caught my eye for years, because of my interest in athletics. Heck of good football players come out of that school. And when I heard your colleague from a smaller college indicate that we need to take a look at some of the bureaucratic programs that exist as a means of maybe reducing the cost of educating our kids and focusing in a different direction.

I just wondered what your reaction would be to that kind of proposal.

Mr. GOODLING. You are asking from Penn State that question?

Mr. HAYES. Yes.

Dr. MCCARL. I follow in many, many ways. He emphasizes academics, his program pays for itself. He has paid for many of the athletic facilities that we have, and has made it a very fine program. There may be abuses other places, but I find Penn State to be a very fine program. And I do not think that the money that

goes to the athletic department is deterring any from our academic program.

Mr. HAYES. One of the things that I am really concerned about is the decline of minority students in schools at all levels. And I feel that there are two reasons. One is the continued pressures and the reduction in the amount of support particularly that the disadvantaged students are getting. And second, is the increase in the cost of tuition.

And you mentioned the fact, I think, that your board of trustees reassessed their position to increase the tuition, and I think that you have figures here to substantiate it.

So the future is that you are going to have a continued decline in enrollment. And certainly, we cannot stand any less support than we have got.

Dr. CEDDIA. Congressman, if I could respond to that. I am not sure that we differ on this, but I have another perception on that problem. We in Pennsylvania, Penn State as well as the 14 State owned universities, are all under a mandate from the Office of Civil Rights to improve our quotas of black students in our universities. Also the number of black professionals and non-professionals on our campus.

As we look at the issue, look at the total numbers of blacks in the pipeline, in the primary and secondary schools. There is some question as to whether or not there are enough students in that category, first of all, to meet the mandates that we now face with the Office of Civil Rights.

But more importantly, as we begin to focus our attention not just in terms of recruiting black students at the junior and senior level in high school, but as we start to work with ministers, community leaders, and others in various towns and boroughs across the Commonwealth of Pennsylvania, we are discovering something else that I think needs to be addressed.

And that is that in the black family, the mind set, the attitude in terms of education is not there. And much has to be done at a much earlier age with the black family in terms of developing an interest in and a commitment to the value of education.

That is a problem that we jointly face, and it is a matter that needs to be addressed, I suspect, not just in Pennsylvania, but across the country. Because as I read what is happening in Michigan, and as I read some of the other stories that are reported in the Washington Post and others, that is a concern that I think is widespread.

And I think that the educational establishment can probably do more in this area. But I suspect that it is not just going to be the educational establishment that has to work on it. Other social service programs and other groups such as local school jurisdictions need to focus in on this matter.

It is very difficult to deal with a sophmore or a junior in high school, a black student, who has not valued education anywhere along the way, and then try to turn them on to the value of continuing their education in the higher education arena.

Certainly, we have some remedical programs and other access programs that provide opportunities. But quite frankly, we are losing many black students prior to their reaching their junior

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year through dropout rates, and you indicated that earlier. That needs to be addressed somehow in some way.

And I do not think that any of us are going to accomplish what ought to be, and what is, and what should be our role in this important area unless we kind of work together not just in the educational community, but with other social service groups in order to achieve it.

It is a perplexing problem, but it is one that is really deep rooted in the black community and also in black families, and it needs to be addressed somehow in some way.

Dr. McCarl. May I follow up on that, though. One of the difficulties that I have is generalizing in too many places. All I know is Penn State very well. And as I mentioned in my written testimony, I have been in the graduate school for 3 years.

The first 2 years, we had a certain set amount of funding for graduate minority students. Dr. Jordan came onboard recently, and one of his commitments has been to minority graduate education as well as undergraduate education. And Representative Goodling had mentioned about the cost of tuition and so on.

And in the same article that I picked up here to give you some of this data it says,

> The budget also sets aside permanently $800,000 for minority student aid, and Dr. Jordan is hoping to find another $400,000 in this year's budget to take care of that.

There has been a very, very strong commitment at the graduate level, which I am familiar with, to bring more and more minority students into the program. We had 75 minority students funded last year at a level that would provide minimum basic costs. That is between $5,000 and $6,000 either for an assistantship or fellowship. And this year, we are repeating it again.

I have been more busy the last 2 years than I have been for ages. And a large amount of that has been the recruiting, and the review, and the appointment of minority students as assistants or fellows.

Mr. Hayes. Thank you, Mr. Chairman.

Mr. Ford. I am going to ask both of you appropos of Mr. Hayes. It is my impression that the G*POP program which I think that we only put about $13 million in was a program that was supposed to do a number of things, one of which considered the need to prepare a large number of individuals from minority groups especially from such groups that have been traditionally underrepresented in colleges and universities.

And generally, that has been regarded as being the most important thrust for those schools that have been getting grants. The statute provides that no school will get less than $75,000 if they qualify for a grant.

Do either of you get those?

Dr. McGarl. We have fourteen G*POP grants beginning this fall. I think that we had seven previously, and we received seven more. They are pinpointed for particular areas, like agriculture, earth and mineral science, enginnering, and science.

There is a problem with G*POP, because of the $4,500 a year that is available for each award. And this means that the program

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or the graduate school usually have to supplement this some way or other to bring them up to the basic cost of attending.

Dr. CEDDIA. We do not get any.

Mr. FORD. Have you tried to?

Dr. CEDDIA. I believe we have, but I do not think that we have been successful. Our graduate programs have been, I think, outside of some of the areas that were considered. We are basically in human services and education, and that has not been a priority here.

Mr. FORD. Mr. Gunderson.

Mr. GUNDERSON. Thank you, Mr. Chairman. I will just be very brief. I just want to make a comment to Dr. Woodbury regarding Title I. There is a great deal of interest in Washington on the whole Title I issue in reauthorization. Senator Hatch has a bill in the Senate. I have a bill in the House. Mr. Williams has also offered a bill this session.

The one area that I would question is it seems that you are looking at Title I more to replace vocational and job training funds. And I think that many of us are looking at using Title I as a means of allowing our postsecondary institutions simply to adapt to the various and unique needs of the nontraditional student.

So we are not quite going in the same direction as you suggested in your testimony, but I just wanted to share with you where we are going for your benefit.

Dr. WOODBURY. There is wording in the legislation having to do with linkages with business and industry. And the way that the Vocational Education Act is worded, it limits our ability to get into that particular field, because there have to be credit based programs. And under the kind of program that I suggested, Title I might be more appropriate than the Vocational Education Act.

But for us in the community college field, because we have the Vocational Education Act, the Higher Education Act has to come less and less significant to us. Especially as you change from the HEFA, the Higher Education Facilities Act, when that was put into it, and then you stopped giving much money for it.

And most of the Higher Education Act now has gone into Title III and into the student assistance program. So our reliance is less on the Higher Education Act than we do have on the Vocational.

Mr. GUNDERSON. Thank you, Mr. Chairman.

Mr. FORD. How much of the Vocational Education money does Pennsylvania allocate to community colleges?

Dr. WOODBURY. I can only say what we get out of it.

Mr. FORD. The percentage, do you know?

Dr. WOODBURY. It is the minimum percentage permitted by law. Well, the maximum, which I guess is around 15 percent. The way it is administered in Pennsylvania, it is administered under Basic Education rather than the Higher Education, the money has traditionally gone to foster development of vocational school systems, secondary vocational school systems. So the amount going to higher education has been what the law mandates.

Mr. FORD. Mr. Ceddia, I would like to just ask you to briefly comment. You said something that we have heard before, and we hear from our friends who have colleges and universities with teacher

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colleges as part of it, about going back to the loan forgiveness program.

Dr. CEDDIA. Yes.

Mr. FORD. You are referring to the one that we had under the National Defense Education Act?

Dr. CEDDIA. Yes.

Mr. FORD. For the NDSL loans?

Dr. CEDDIA. Yes.

Mr. FORD. Now at that time, education was still considered by young people, because women were still pretty well locked out of the other professions, to be a very desirable career goal. Now what we have discovered is that in the ten years starting with 1974, if you examine all of the graduate degrees by sex, that everything went up in the ratio of females getting their degrees, law, medicine, dentistry, architecture, engineering, and business, and one went down. Education is completely the opposite of the rest, because women now given the opportunity are making their choices the way that men did before in taking the more promising economic futures.

Now if we were to put a loan forgiveness program in place now, would you capture those teachers that you really want to be teachers? You could not do it the way that we did it before. How would you feel about saying that only students who were somehow screened to be in the top of their high school graduating class and maintained above average grades in undergraduate school?

Dr. CEDDIA. I do not have any difficulty with that approach. Frankly, Congressman, I am a product of the whole system. It was a way that I helped pay for my education and began my career in teaching the secondary level and receiving 5 years of forgiveness on my loan because of that.

When I suggested to you earlier in my testimony, and it was not included in my written comments, it was just something that was rattling around in my own mind. As president of an institution, it will continue to be strongly committed to teacher training in the future as we have been in the past.

But we are not going to open up the floodgates in teacher training like we did in the past. We reduced our enrollment in teacher training programs to about 14 to 15 percent of our total enrollment. And in fact, we have been much more selective in terms of the quality of applicant that we bring into those programs.

Even as the teacher demand begins to grow, and we have some evidence that it is going to grow in Pennsylvania and in other areas of the country, we are not going to expand that percentage of our enrollment. So I suspect that we are probably going to have highly motivated more talented young people, men and women, interested in teacher training.

And I think that the challenge is going to be not necessarily on the prospective student, but on the enrolled student to keep them in that program through the undergraduate years, and then encourage them later on to stay in the profession.

And that is why I am suggesting that we need to look at some type of program which would give loan opportunities to those students both at the undergraduate and graduate level with a forgive-

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ness possibility. And also, I would have no difficulty with some type of academic criteria associated with it.

I think that we have the students who are highly motivated and educationally talented. What happens, Congressman, is that when they finish and they are highly talented and high motivated. Let us take a student who decides to get involved in preparing to teach at the secondary level in physics, chemistry, mathematics, or computer system.

When they begin looking for a job, they start looking for a teaching job. And then they find out [a], that the salaries are very low; and then [b], they listen to their room mates who are being interviewed by ITT, Bell, and other companies, and they find out that they could go to work in those areas even with a teacher degree, and start at $10,000 or $15,000 higher.

I think the incentive is gone, that incentive erodes. I think that if they had an opportunity to pay for their education in some way and know that they are going to get that part of their loan forgiven over a period of time, I think that there might be more of an encouragement to keep them there, because they would see that somewhat as a salary supplement.

Now I understand the problem of the Federal Government in terms of supporting that kind of a program. That is why I suggested that it might be a tripod that supports it. The Federal Government, and a State that participates in that program ought to absorb some of that cost. And maybe even possibly business and industry, if, in fact, those teachers work in not just an economically disadvantaged zone, but in a zone that has been declared not only economically disadvantaged, but has been targeted for economic revitalization or renewal through either the enterprise zone concept or something like that.

Because again, business and industry looks at the educational setting as an attractive aspect of a relocation or a further investment of its capital. So I have no trouble with an educational criteria or criteria being associated with it. But I think that we need to do something. I think that we have to.

Mr. FORD. You have some kind of a loan forgiveness program going on now in Pennsylvania with State funds.

Dr. CEDDIA. There is some of that. That was just passed, right.

Mr. FORD. Does any of that go to teachers?

Dr. CEDDIA. I think some of it does, yes, if I am not mistaken.

Mr. FORD. But it is primarily for medical students?

Dr. CEDDIA. Yes. But it is not to the extent when the old NDSL program was operational.

Mr. FORD. Thank you very much. I want to thank the panel for your patience in waiting this long. We have taken much longer than we expected, but that is an indication of the quality of the panels that Bill Goodling put together for us today. The committee is adjourned.

[Whereupon, at 1:25 p.m., the subcommittee adjourned, subject to the call of the Chair.]